

State Board of Land Commissioners Open Meeting Checklist

Meeting Date: November 15, 2022

Regular Meetings

10/28/2022	Meeting Notice posted in prominent place in IDL's Boise Director's office five (5) or more calendar days before meeting.
10/28/2022	Meeting Notice posted in prominent place in IDL's Coeur d'Alene staff office five (5) or more calendar days before meeting.
10/28/2022	Meeting Notice posted in prominent place at meeting location five (5) or more calendar days before meeting.
10/28/2022	Meeting Notice published on Townhall Idaho website https://townhall.idaho.gov five (5) or more calendar days before meeting.
10/28/2022	Meeting Notice emailed/faxed to list of media and interested citizens who have requested such notice five (5) or more calendar days before meeting.
10/28/2022	Meeting Notice posted electronically on IDL's public website https://www.idl.idaho.gov five (5) or more calendar days before meeting.
11/10/2022	Revised Agenda posted in prominent place in IDL's Boise Director's office forty-eight (48) hours before meeting.
11/10/2022	Revised Agenda posted in prominent place in IDL's Coeur d'Alene staff office forty-eight (48) hours before meeting.
11/10/2022	Revised Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
11/10/2022	Revised Agenda published on Townhall Idaho website https://townhall.idaho.gov forty-eight (48) hours before meeting.
11/10/2022	Revised Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
11/10/2022	Revised Agenda posted electronically on IDL's public website https://www.idl.idaho.gov forty-eight (48) hours before meeting.
4/26/2022	Land Board annual meeting schedule posted – Boise Director's office, Coeur d'Alene staff office, and IDL's public website https://www.idl.idaho.gov .

Special Meetings

	Meeting Notice and Agenda posted in a prominent place in IDL's Boise Director's office twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted in a prominent place in IDL's Coeur d'Alene staff office twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted at meeting location twenty-four (24) hours before meeting.
	Meeting Notice and Agenda published on Townhall Idaho website https://townhall.idaho.gov twenty-four (24) hours before meeting.
	Meeting Notice and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted electronically on IDL's public website https://www.idl.idaho.gov twenty-four (24) hours before meeting.
	Emergency situation exists – no advance Meeting Notice or Agenda needed. "Emergency" defined in Idaho Code § 74-204(2).

Executive Sessions (*If only an Executive Session will be held*)

	Meeting Notice and Agenda posted in IDL's Boise Director's office twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted in IDL's Coeur d'Alene staff office twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted at meeting location twenty-four (24) hours before meeting.
	Meeting Notice and Agenda published on Townhall Idaho website https://townhall.idaho.gov twenty-four (24) hours before meeting.
	Meeting Notice and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting.
	Meeting Notice and Agenda posted electronically on IDL's public website https://www.idl.idaho.gov twenty-four (24) hours before meeting.
	Notice contains reason for the executive session and the applicable provision of Idaho Code § 74-206 that authorizes the executive session.

Renee Jacobsen

Recording Secretary

November 10, 2022

Date

IDAHO DEPARTMENT OF LANDS



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D Woolf, State Controller
Sherri Ybarra, Superintendent of Public Instruction
Dustin T. Miller, Secretary to the Board

NOTICE OF PUBLIC MEETING NOVEMBER 2022

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, November 15, 2022 in the **State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho**. The meeting is scheduled to begin at 9:00 AM (Mountain).

Please note location.

The State Board of Land Commissioners will conduct this meeting in person and by virtual means. This meeting is open to the public. No public comment will be taken.

Meeting will be streamed live via IPTV: <https://www.idahoptv.org/shows/idahoinsession/>

First Notice Posted: 10/28/2022-IDL Boise; 10/28/2022-IDL CDA

This notice is published pursuant to Idaho Code § 74-204. For additional information regarding Idaho's Open Meeting law, please see Idaho Code §§ 74-201 through 74-208.

Idaho Department of Lands, 300 N 6th Street, Suite 103, Boise ID 83702, 208.334.0242



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State Board of Land Commissioners Regular Meeting
November 15, 2022 – 9:00 AM (MT)
Revised Final Agenda
Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho

**The State Board of Land Commissioners will conduct this meeting in person and by virtual means.
This meeting is open to the public. No public comment will be taken.**

Meeting will be streamed live via IPTV: <https://www.idahoptv.org/shows/idahoinsession/>

1. Department Report – Presented by Bill Haagenson, Deputy Director

Trust Land Revenue

- A. Timber Sales – October 2022
- B. Leases and Permits – October 2022

2. Endowment Fund Investment Board – Presented by Tom Wilford, Chairman; Chris Anton, Manager of Investments; Jerry Aldape, Chair-Audit Committee

Introduction of Endowment Fund Investment Board

- A. FY2022 Annual Report
- B. Land Board Audit Committee Report
- C. Manager's Monthly Report

3. Performance Review of Total Endowment – Presented by Bill Haagenson, Deputy Director

Consent—Action Item(s)

4. Approval of Draft Minutes – October 18, 2022 Regular Meeting (Boise)

Regular—Action Item(s)

5. Negotiated Rulemaking for IDAPA 20.03.01, Rules Governing Dredge and Placer Mining Operations in Idaho – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

State Board of Land Commissioners
Final Agenda-v1110
Regular Meeting – November 15, 2022
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6. **Negotiated Rulemaking for IDAPA 20.03.03, Rules Governing Administration of the Reclamation Fund** – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance
7. **Negotiated Rulemaking for IDAPA 20.03.05, Riverbed Mineral Leasing in Idaho** – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance
8. **Statement of Investment Policy Annual Review** – Presented by Jim Elbin, Division Administrator-Trust Land Management
9. **Governance Structure Review** – Presented by Jim Elbin, Division Administrator-Trust Land Management

Information

None

Executive Session

A. Acquisition

Idaho Code § 74-206(1)(c) – to acquire an interest in real property which is not owned by a public agency.

Regular—Action Item(s)

10. Property Acquisition

IDAHO DEPARTMENT OF LANDS



Idaho Statutes

Idaho Statutes are updated to the web July 1 following the legislative session.

TITLE 74
TRANSPARENT AND ETHICAL GOVERNMENT
CHAPTER 2
OPEN MEETINGS LAW

74-206. EXECUTIVE SESSIONS – WHEN AUTHORIZED. (1) An executive session at which members of the public are excluded may be held, but only for the purposes and only in the manner set forth in this section. The motion to go into executive session shall identify the specific subsections of this section that authorize the executive session. There shall be a roll call vote on the motion and the vote shall be recorded in the minutes. An executive session shall be authorized by a two-thirds (2/3) vote of the governing body. An executive session may be held:

(a) To consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. This paragraph does not apply to filling a vacancy in an elective office or deliberations about staffing needs in general;

(b) To consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student;

(c) To acquire an interest in real property not owned by a public agency;

(d) To consider records that are exempt from disclosure as provided in chapter 1, title 74, Idaho Code;

(e) To consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;

(f) To communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement;

(g) By the commission of pardons and parole, as provided by law;

(h) By the custody review board of the Idaho department of juvenile corrections, as provided by law;

(i) To engage in communications with a representative of the public agency's risk manager or insurance provider to discuss the adjustment of a pending claim or prevention of a claim imminently likely to be filed. The mere presence of a representative of the public agency's risk manager or insurance provider at an executive session does not satisfy this requirement; or

(j) To consider labor contract matters authorized under section 74-206A (1) (a) and (b), Idaho Code.

(2) The exceptions to the general policy in favor of open meetings stated in this section shall be narrowly construed. It shall be a violation of this chapter to change the subject within the executive session to one not identified within the motion to enter the executive session or to any topic for which an executive session is not provided.

(3) No executive session may be held for the purpose of taking any final action or making any final decision.

(4) If the governing board of a public school district, charter district, or public charter school has vacancies such that fewer than two-thirds (2/3) of board members have been seated, then the board may enter into executive session on a simple roll call majority vote.

History:

[74-206, added 2015, ch. 140, sec. 5, p. 371; am. 2015, ch. 271, sec. 1, p. 1125; am. 2018, ch. 169, sec. 25, p. 377; am. 2019, ch. 114, sec. 1, p. 439.]

STATE BOARD OF LAND COMMISSIONERS

November 15, 2022

Trust Land Revenue

Timber Sales

During October 2022, the Department of Lands sold four endowment timber sales at auction. Three sales had competitive bidding. The net sale value represents a 27% up bid over the appraised value. The Department sold one GNA timber sale at auction. The GNA sale was sold as appraised. One GNA timber sale, Sloans Point GNA Ton, did not sell at auction.

TIMBER SALE AUCTIONS								
Sale Name	Area	Sawlog MBF	Cedar Prod MBF	Pulp MBF	Appraised Net Value	Sale Net Value	Net \$/MBF	Purchaser
Fall East Ton	PAY	5,205			\$ 1,096,558.85	\$ 1,268,894.00	\$243.78	IFG Timber LLC
Higbee Camp	MICA	7,055			\$ 1,448,378.10	\$ 1,448,378.10	\$205.30	IFG Timber LLC
Dream Weaver	MC	4,050			\$ 914,542.50	\$ 1,299,823.05	\$320.94	Clearwater Paper
High Low Cedar	POL	4,600			\$ 1,146,373.00	\$ 1,810,058.75	\$393.49	Stella-Jones Corp
Endowment		20,910	0	0	\$ 4,605,852.45	\$ 5,827,153.90	\$278.68	
Diamond Decks GNA Salvage	IPNF	105			\$ 26,146.00	\$ 26,146.00	\$249.01	Timber Logging Co LLC
Non-Endowment		105	0	0	\$ 26,146.00	\$ 26,146.00	\$249.01	

PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
North Operations				
Leftover Lost	4,850	\$1,339,863.00	PL	11/1/2022
Resurrection Cedar	2,535	\$650,349.50	PL	11/1/2022
SuPurduePur	3,750	\$1,182,082.00	POND	11/2/2022
TOTALS	11,135	\$3,172,294.50		
South Operations				
High Valley	7,120	\$1,413,138.00	SWI	11/17/2022
TOTALS	7,120	\$1,413,138.00		

VOLUME UNDER CONTRACT as of October 31, 2022				
	Public School	Pooled	Total	3 Year Avg.
Active Contracts			174	175
Total Residual MBF Equivalent	316,531	181,028	497,559	548,173
Estimated residual value	\$94,017,712	\$52,309,660	\$146,327,372	\$141,138,408
Residual Value (\$/MBF)	\$297.03	\$288.96	\$294.09	\$257.47

	TIMBER HARVEST RECEIPTS				
	October		FY to date	November Projected	
	Stumpage	Interest	Harvest Receipts	Stumpage	Interest
Public School	\$ 3,968,118.67	\$ 613,579.38	\$ 20,898,753.26	\$ 4,289,477.55	\$ 419,998.87
Pooled	\$ 2,629,657.61	\$ 219,059.06	\$ 13,518,929.89	\$ 3,188,225.44	\$ 253,116.17
General Fund	\$ 1.39	\$ 0.00	\$ 242.16	\$ 1.46	\$ 0.00
TOTALS	\$ 6,597,777.67	\$ 832,638.44	\$ 34,417,925.31	\$ 7,477,704.45	\$ 673,115.04

	Status of FY2022 Timber Sale Program					
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of October 31, 2022	192,479	98,026	290,505	25,993	17,886	43,879
Currently Advertised	12,230	0	12,230	2,500	0	2,500
In Review	0	0	0	0	0	0
Did Not Sell*	4,430	0	4,430	0	0	0
TOTALS	209,139	98,026	307,165	28,493	17,886	46,379
FY2022 Sales Plan			311,195			20,600
Percent to Date			99%			225%

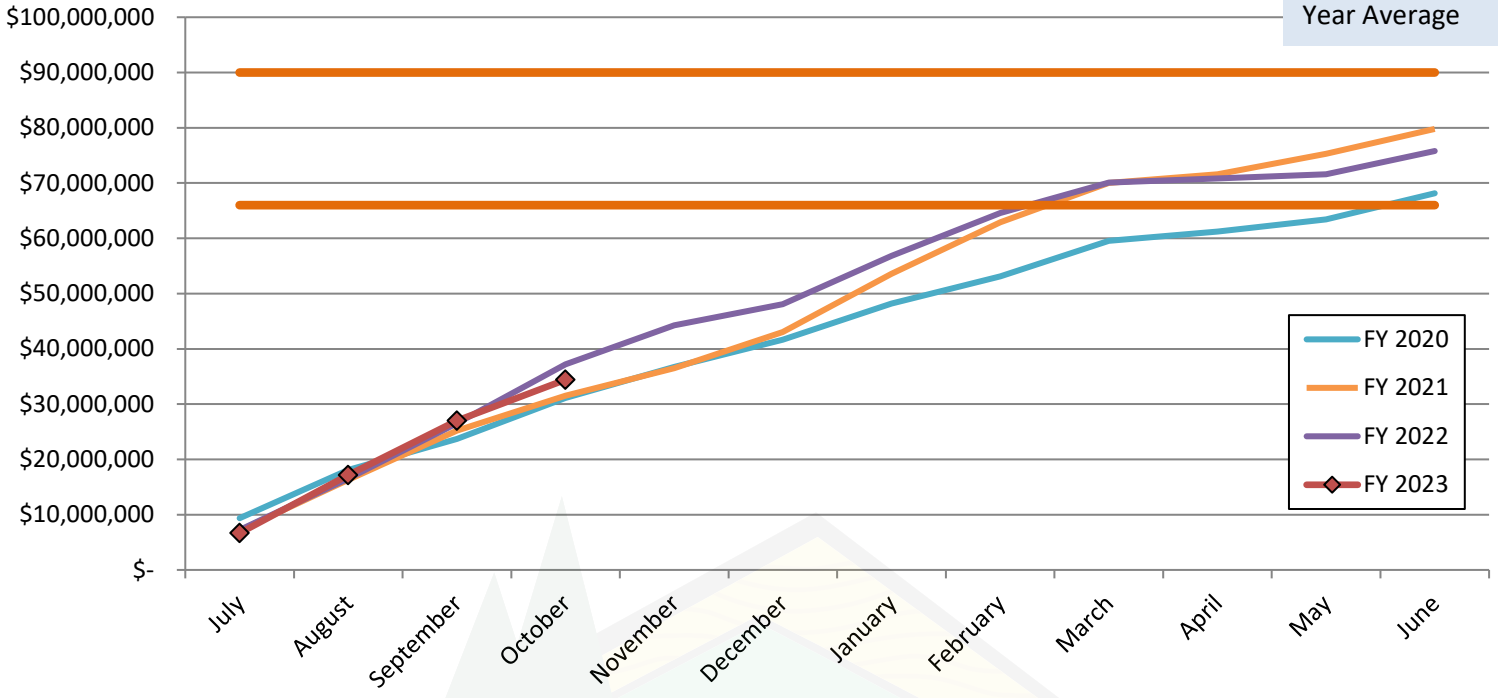
* After three attempts at auction.

	Status of FY2023 Timber Sale Program					
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of October 31, 2022	42,205	13,325	55,530	4,039	191	4,230
Currently Advertised	15,683	0	15,683	1,600	0	1,600
In Review	28,571	16,144	44,715	822	688	1,510
Did Not Sell*	0	0	0	0	0	0
TOTALS	86,459	29,469	115,928	6,461	879	7,340
FY2023 Sales Plan			326,000			20,000
Percent to Date			36%			37%

* After three attempts at auction.

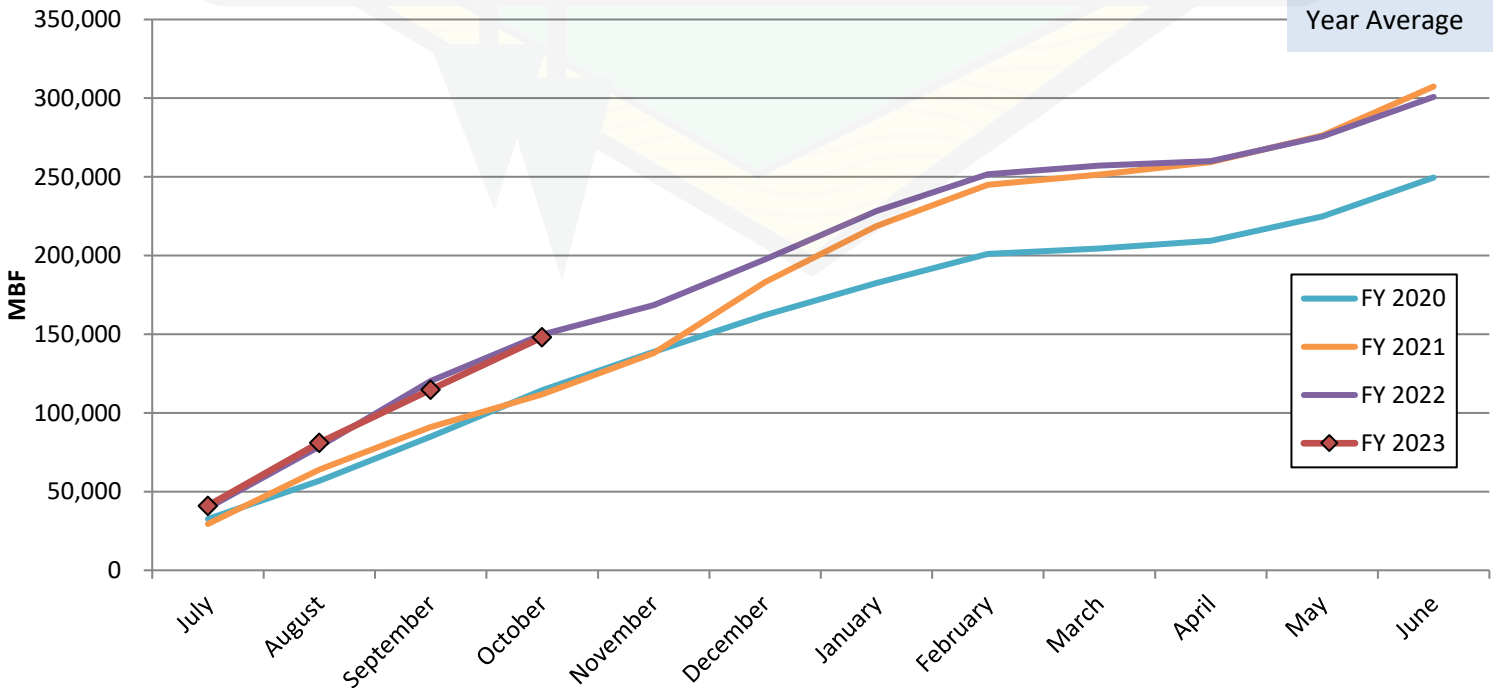
Cumulative Harvest Receipts

Current FYTD is 103% of 3 Year Average

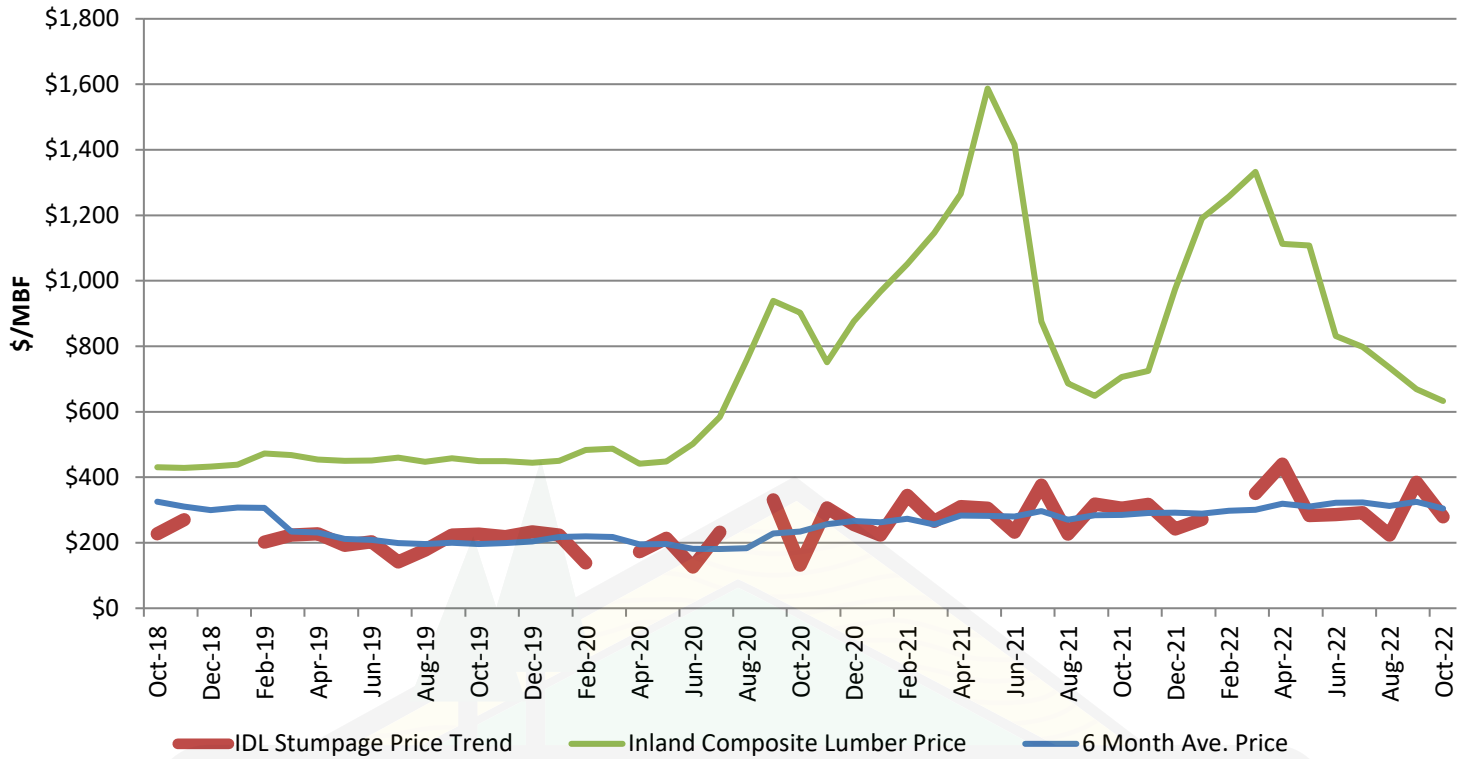


Cumulative Harvest Volume

Current FYTD is 118% of 3 Year Average



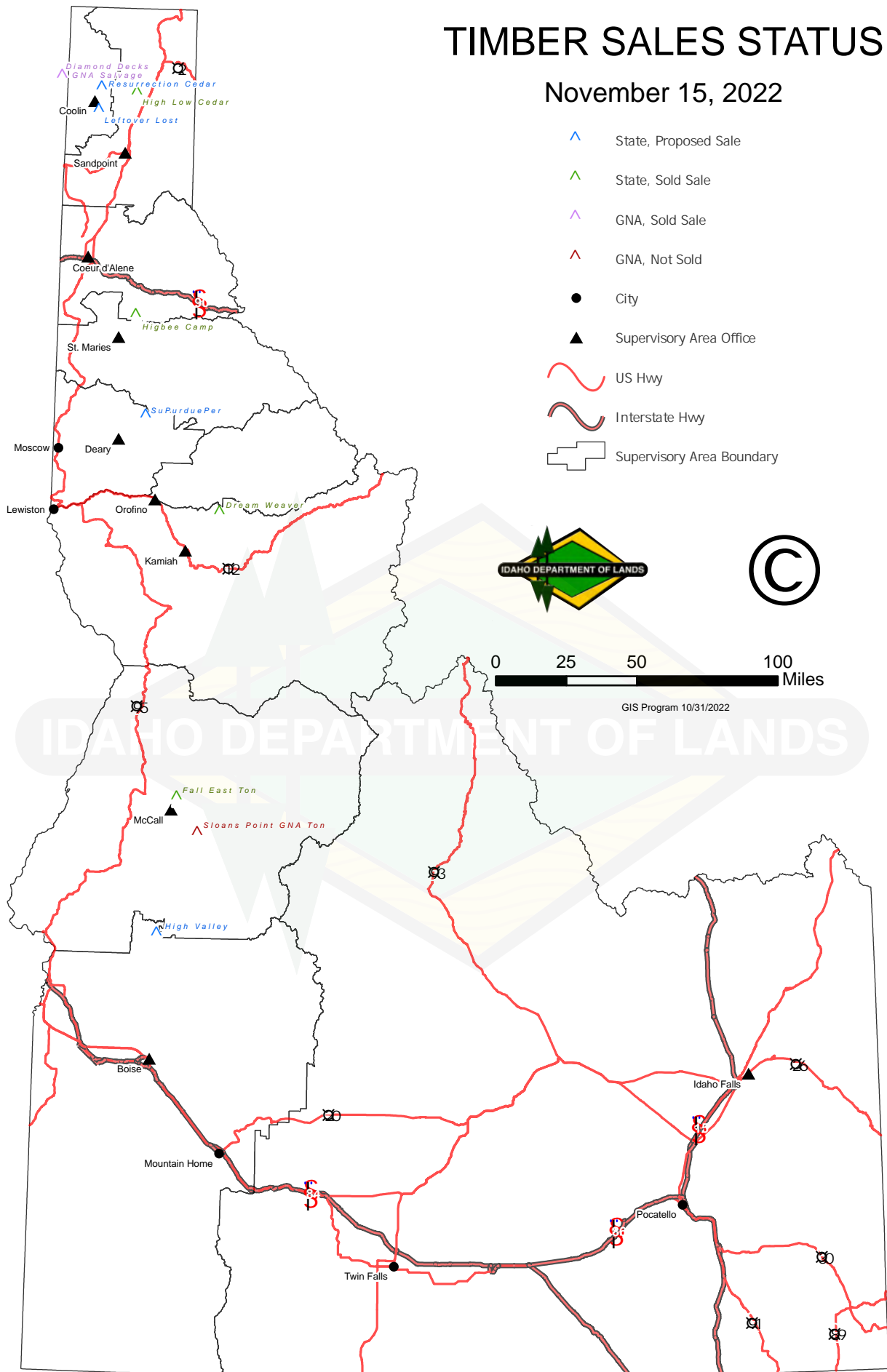
Monthly Lumber and Stumpage Price



October 2022 6-month average price is \$304.14.
 October 2021 6-month average price was \$284.55.

TIMBER SALES STATUS

November 15, 2022



STATE BOARD OF LAND COMMISSIONERS

November 15, 2022

Endowment Transactions

Leases and Permits

FISCAL YEAR 2023 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through October 31, 2022													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
SURFACE													
Agriculture	-	1	-	-									1
<i>Assignments</i>	-	-	-	-									0
Communication Sites	-	-	-	1									1
<i>Assignments</i>	1	2	-	-									3
Grazing	-	-	-	7									7
<i>Assignments</i>	3	2	-	1									6
Residential	-	4	-	1									5
<i>Assignments</i>	-	-	-	-									0
COMMERCIAL													
Alternative Energy	-	-	-	-									0
Industrial	-	-	-	-									0
Military	-	-	-	-									0
Office/Retail	1	-	-	-									1
Recreation	-	-	-	-									0
OTHER													
Conservation	-	-	-	2									2
Geothermal	-	-	-	-									0
Minerals	2	2	1	-									5
<i>Assignments</i>	1	-	-	-									1
Non-Comm Recreation	-	-	-	-									0
Oil & Gas	-	-	-	-									0
PERMITS													
Land Use Permits	6	5	4	6									21
TOTAL INSTRUMENTS	14	16	5	18	0	0	0	0	0	0	0	0	53

Real Estate

FISCAL YEAR 2023 – REAL ESTATE TRANSACTIONS BY MONTH – through October 31, 2022													
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
Deeds Acquired	-	-	-	-									0
Deeds Granted	-	-	5	3									8
Deeds Granted - Surplus	-	-	-	-									0
Easements Acquired	-	1	-	-									1
Easements Granted	2	1	-	-									3
Notes													
<i>Land Deeded in October Priest Lake - 2 VAFO Cottage Sites, 1 ULA Site</i>													

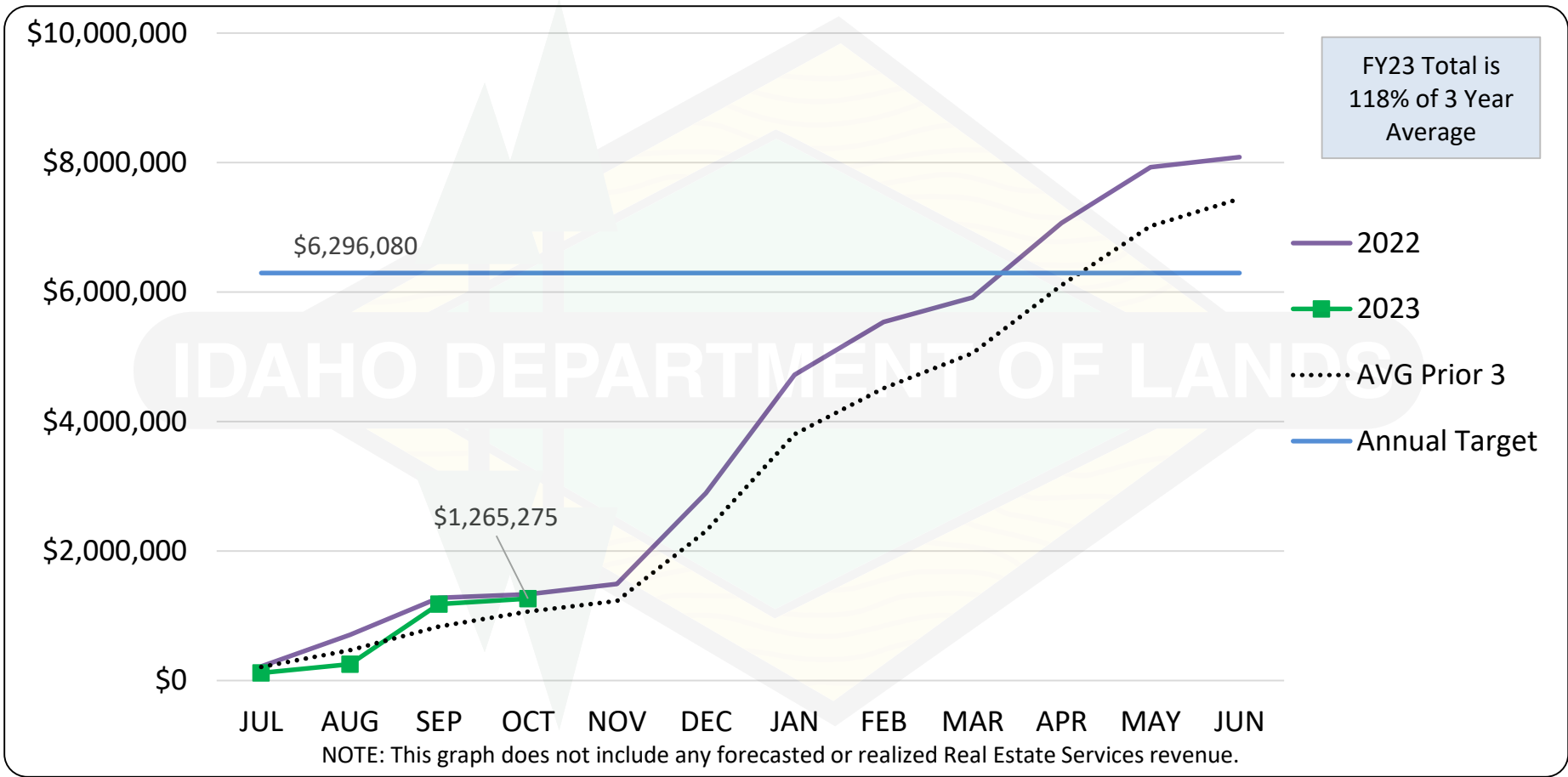
TRUST LAND MANAGEMENT DIVISION
FY2023 GROSS REVENUE (non-timber) - ACTUAL AND FORECASTED
through October 31, 2022

	ACTUAL RECEIPTS AS OF 10.31.2022	REVENUE EXPECTED BY 10.31.2022**	REVENUE EXPECTED BY 06.30.2023
SURFACE			
AGRICULTURE	\$ 550	\$ -	\$ 505,000
COMMUNICATION SITES	\$ 80,064	\$ 154,081	\$ 1,009,239
GRAZING	\$ 37,298	\$ 14,000	\$ 1,870,000
RESIDENTIAL	\$ (36,514)	\$ (32,002)	\$ 1,095,851
COMMERCIAL			
COMMERCIAL ENERGY RESOURCES	\$ 250	\$ -	\$ 47,763
COMMERCIAL INDUSTRIAL	\$ 9,199	\$ 14,240	\$ 74,504
COMMERCIAL MILITARY	\$ 7,053	\$ -	\$ 91,117
COMMERCIAL OFFICE/RETAIL	\$ 589,524	\$ 476,352	\$ 527,352
COMMERCIAL RECREATION	\$ 560,921	\$ 601,665	\$ 899,978
OTHER			
CONSERVATION LEASES	\$ 500	\$ -	\$ 65,000
GEOTHERMAL	\$ (6,339)	\$ -	\$ -
MINERAL	\$ 20,616	\$ 13,459	\$ 105,403
OIL AND GAS LEASES	\$ 2,152	\$ 550	\$ 4,874
Sub Total	\$ 1,265,275	\$ 1,242,345	\$ 6,296,081
*REAL ESTATE SERVICES	\$ 172,770		
Grand Total	\$ 1,438,045		

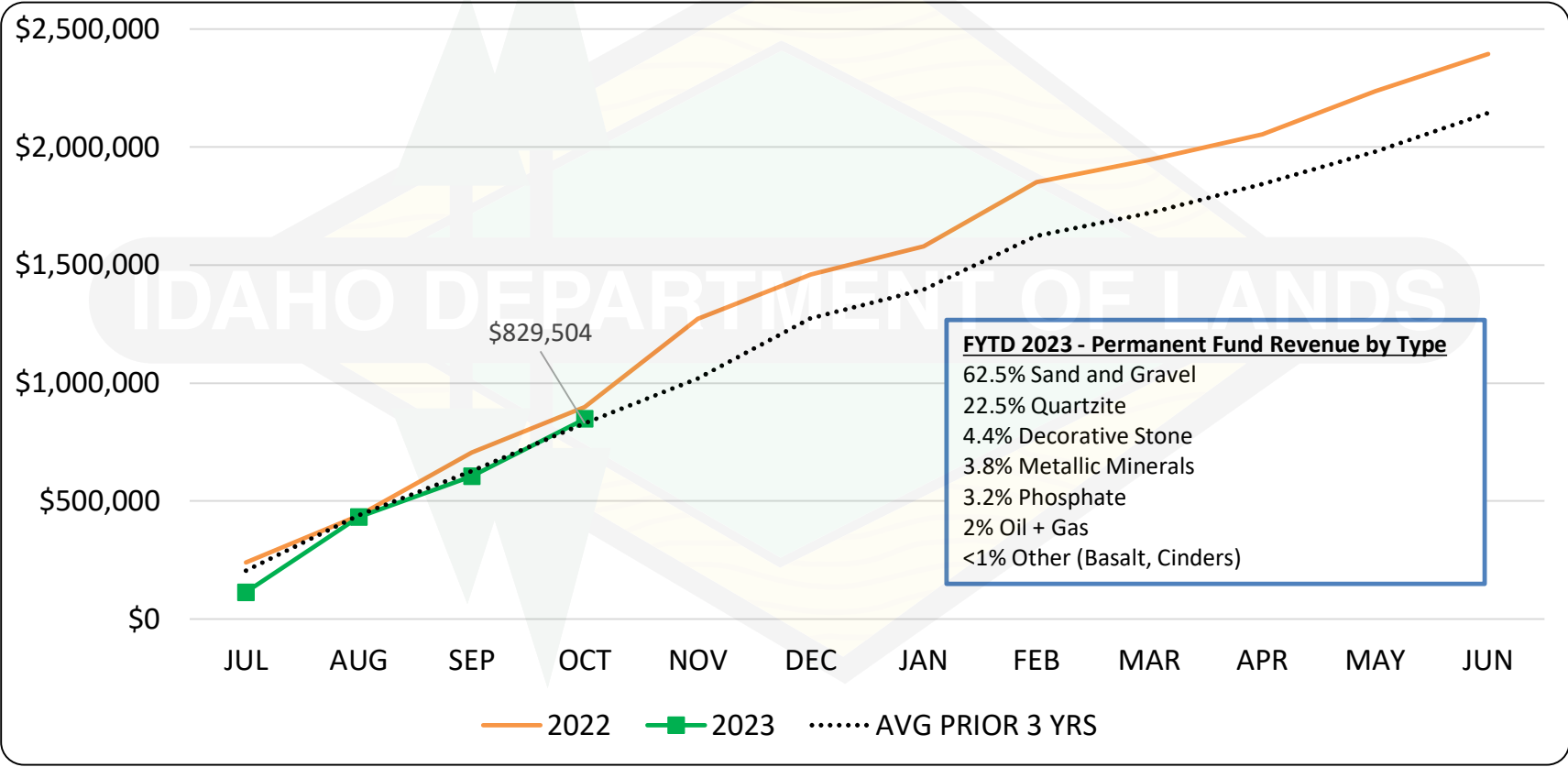
* This category is not included in the annual forecast.

** These figures are based on "normal" timing of revenue/billing throughout the year.

Cumulative Trust Land Program Receipts Earnings Reserve - All Programs excluding Timber FY 2022 - FYTD 2023



Cumulative Trust Land Permanent Fund Revenue/Royalties (Does NOT include Land Bank or Timber Program Revenue) FY2022 - FYTD2023



Annual Report to the
Board of Land Commissioners



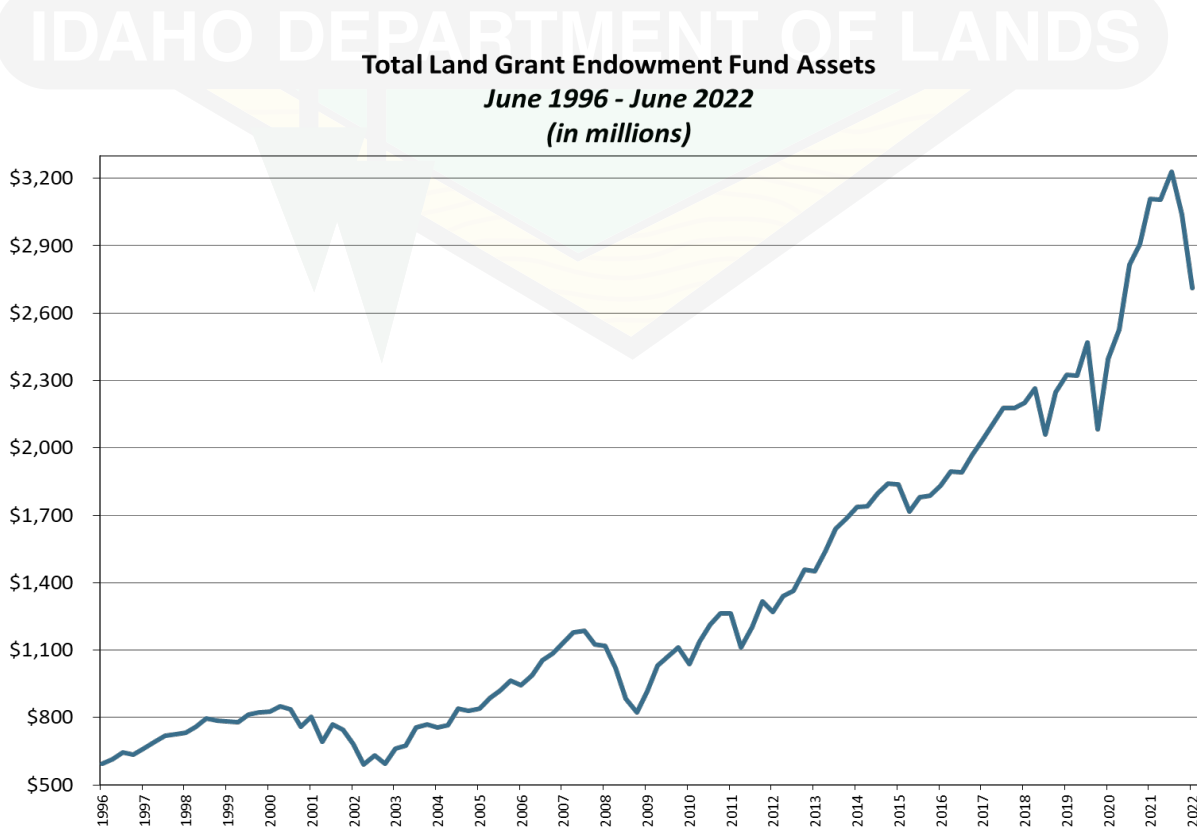
November 15, 2022

SUMMARY OF RESULTS

Fiscal 2022 was a challenging year for the Land Grant Endowment Fund. After exceptional gains of 29.7% in fiscal 2021, the Endowment Fund declined by 12.4% or \$383.3 million to \$2,723.6 million as of June 30, 2022. Earnings reserve levels remained solid but were below target at fiscal year-end. The target level of earning reserves is the equivalent of seven years of beneficiary distributions and the actual level at June 30, 2022 was 5.8 years for Public School and ranged from 5.4 - 6.7 years for other beneficiaries. The Endowment Fund had an investment loss of 13.0%, which ranked in the 91st percentile when compared to peers in the Callan Public Fund Sponsor Database. Costs to manage the fund totaled \$12.7 million, or 0.47% of assets. Net land revenue declined by 5.2% to \$56.5 million. Beneficiary distributions increased by 4.3% to \$88.1 million and the Idaho State Board of Land Commissioners approved distributions of \$100.3 million in fiscal years 2023 and 2024.

CHANGES IN NET POSITION AND FUND BALANCE

Changes in the net position of the Endowment Fund are the result of investment gains or losses in the Endowment Fund portfolio, revenue generated from land assets, beneficiary distributions and Department of Lands and EFIB expenses. The Endowment Fund balance changed by -\$384.3 million, \$711.6 million and \$72.2 million during the fiscal years ended June 30, 2022, 2021 and 2020, respectively. Net position and fund balance totaled \$2,723.6 million, \$3,107.9 million and \$2,396.3 million as of June 30, 2022, 2021 and 2020, respectively.

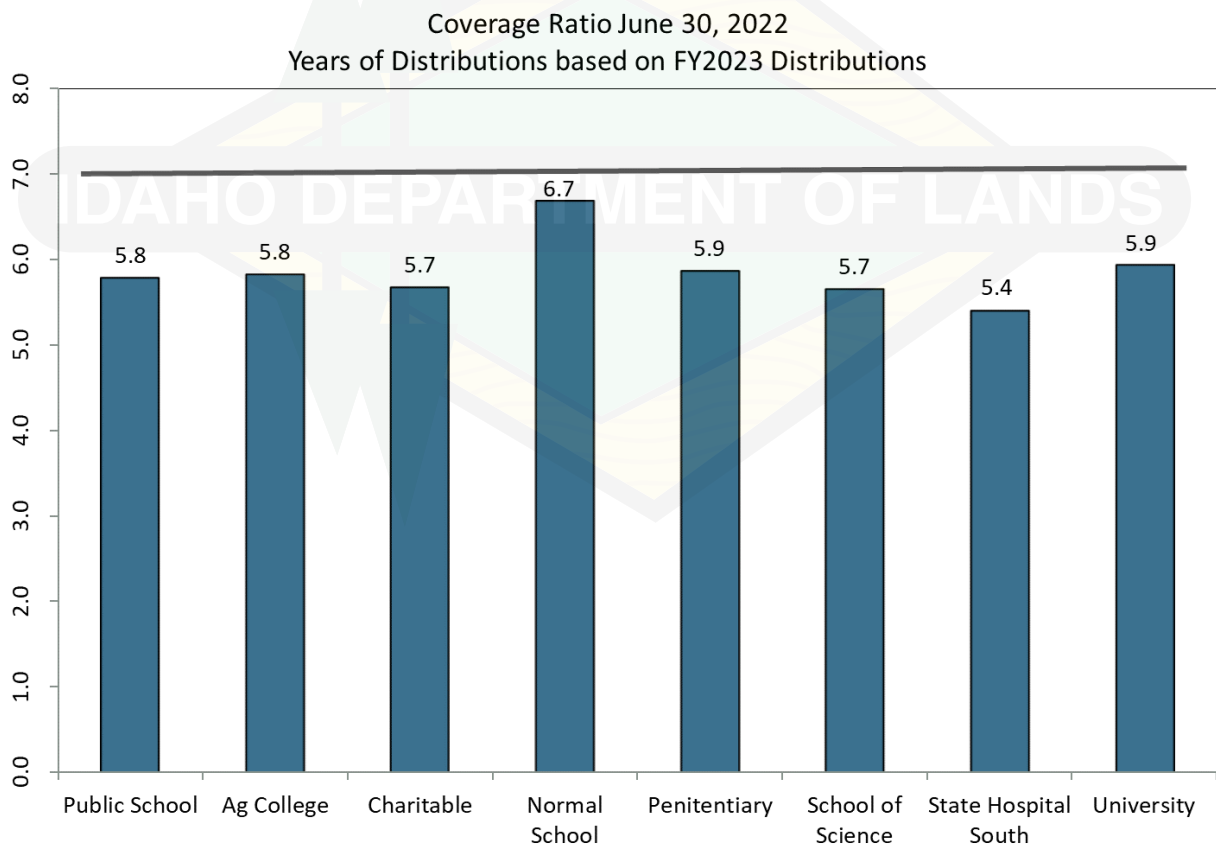


EARNINGS RESERVES

The Idaho State Board of Land Commissioners has established target earnings reserve levels for each of the Earnings Reserve Funds. The target earnings reserve levels equate to seven years of beneficiary distributions for Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and the University of Idaho. When earnings reserves exceed the target earnings reserve levels, excess amounts may be transferred from Earnings Reserve Funds into the corresponding Permanent Funds.

Total earnings reserve levels were \$593.2 million, \$1,198.8 million and \$589.3 million as of June 30, 2022, 2021 and 2020, respectively. As of June 30, 2022, the earnings reserve balances for all of the Endowment Funds were below target earnings reserve levels.

The table below highlights the earnings reserve levels expressed in years of distributions for each beneficiary.

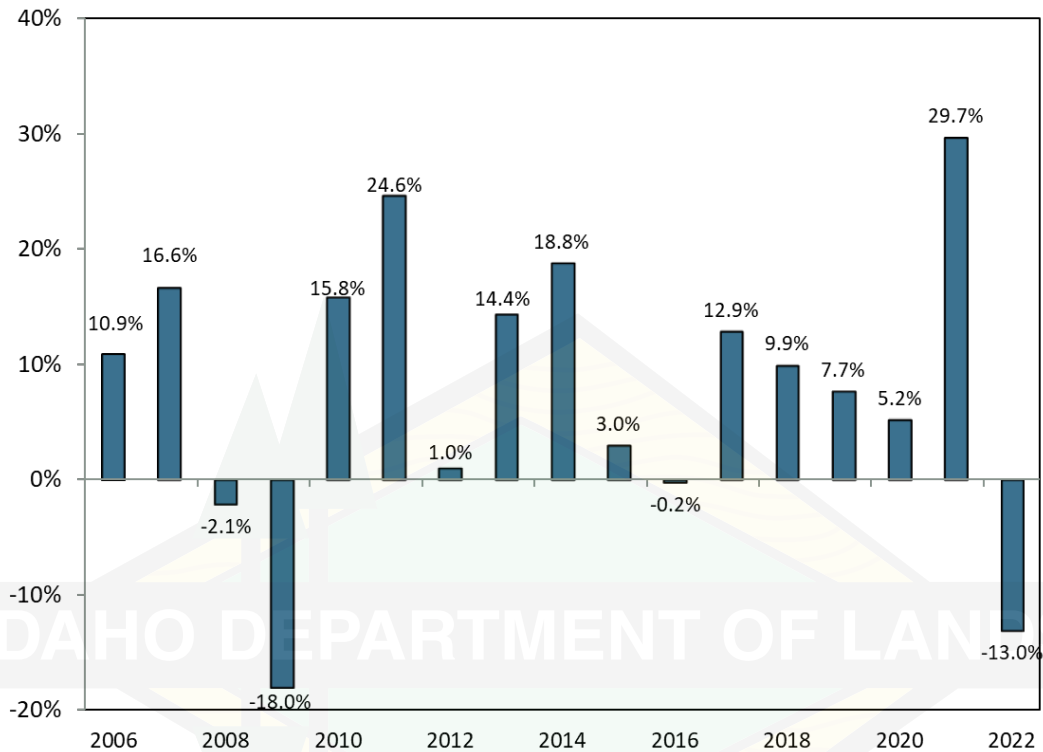


INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of -13.0%, 29.7% and 5.2% in fiscal years end June 30, 2022, 2021 and 2020, respectively. The average annual

investment returns were -13.0%, 5.9%, 7.0%, and 8.3% during the last one, three, five and ten-year periods. These investment returns ranked in the top 91st, 50th, 35th and 27th percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

Annual Gross Fund Returns



Annualized Gross Fund Returns, Ending June 30, 2022

	FY 2022	3 Years	5 Years	7 Years	10 Years
Total Fund	-13.0%	5.9%	7.0%	6.8%	8.3%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 8% ODCE, 26% BBC Aggregate)</i>	-11.2%	5.4%	6.4%	6.4%	7.8%
Total Equity	-17.9%	7.7%	8.9%	8.4%	10.6%
Domestic Equity	-17.1%	9.2%	10.5%	10.1%	12.6%
Large Cap.	-17.8%	8.6%	10.2%	10.0%	12.5%
Mid Cap.	-12.0%	11.2%	11.8%	10.5%	12.7%
Small Cap.	-21.7%	8.8%	9.1%	9.0%	12.4%
International Equity	-19.9%	4.9%	5.9%	5.4%	6.9%
Global Equity	-17.2%	7.3%	8.1%	7.1%	8.0%
<i>MSCI ACWI Index</i>	-15.8%	6.2%	7.0%	7.0%	8.8%
Total Real Estate	23.7%	10.0%	8.7%		
<i>NCREIF ODCE Index</i>	27.3%	10.3%	8.9%		
Total Fixed Income	-10.0%	-0.6%	1.2%	1.6%	1.5%
<i>Fixed-Income Benchmark (85% BBC U.S. Aggregate, 15% BBC U.S. TIPS)</i>	-9.5%	-0.3%	1.2%	1.6%	1.6%

ASSET ALLOCATION

The target asset allocation for the Endowment Fund portfolio is 66% equity, 24% fixed income, and 10% real estate. The equity portion of the portfolio currently includes 38% U.S. equity, 19% international equity and 9% global equity. The fixed income portion of the portfolio includes 11% in the Bloomberg Barclay's Aggregate Index and 13% in an actively managed core plus strategies. The real estate portion of the portfolio is invested in private core real estate strategies.

INVESTMENT MANAGEMENT

The EFIB engages the services of an investment consultant who acts as an independent fiduciary and provides advice in areas such as investment policies and guidelines, asset allocation strategies, portfolio risk/return modeling and hiring and monitoring of investment managers. Callan has served as EFIB's investment consultant since 2007. They were reappointed in 2019 after a national consultant search.

The EFIB engages investment managers who are given full discretion to make investment decisions subject to policies and guidelines specific to the investment strategy they are managing. As of June 30, 2022, the EFIB engaged twenty investment managers including Barrow Hanley, Boston Partners, CBRE Investment Management, Clearwater Advisors, DoubleLine Capital, DWS, Eagle Asset Management, Fiera Capital/StonePine Asset Management, LSV Asset Management, Northern Trust Investments, Sands Capital, Schrodgers, State Street Global Advisors, Sycamore/Victory Capital, TimesSquare Capital Management, UBS Realty Investors, Vanguard, WCM Investment Management, Wellington and Western Asset Management.

The EFIB engages Northern Trust Company for custodial services. Northern Trust Company is responsible for the safekeeping of assets, trade settlement, accounting, security valuation, investment performance reporting and proxy voting.

COST OF INVESTMENT MANAGEMENT

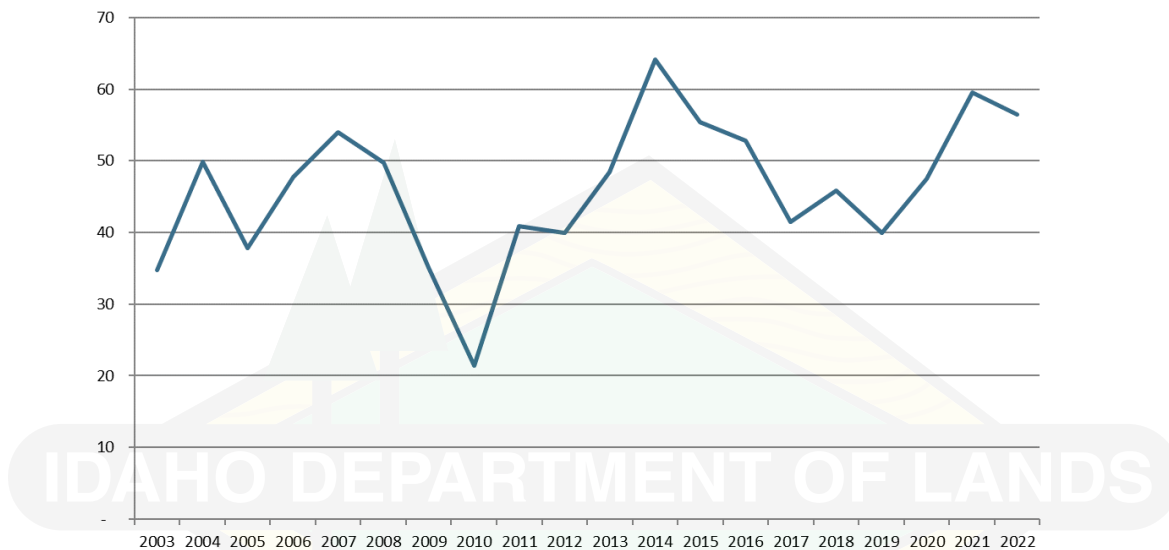
The cost for investment management was \$12.7 million, \$12.1 million and \$11.6 million in fiscal years 2022, 2021 and 2020, respectively. Investment management expenses as a percentage of year-end Endowment Fund net positions equates to 0.47%, 0.39% and 0.48% in fiscal years 2022, 2021 and 2020, respectively. The table below provides a breakdown of investment management expenses.

Cost of Investment Management			
Investment Management Operating Costs	2022	2021	2020
Internal Investment Costs	\$ 564,256	\$ 523,664	\$ 534,709
Outside investment manager and legal fees	11,303,231	9,804,955	9,043,539
Custody Expense	934,350	932,146	1,184,565
Consultant and auditor fees	271,944	257,529	208,029
Total expenditures	13,073,781	11,518,294	10,970,842
Change in Manager Fee Accrual	(365,920)	535,488	571,476
Total Accrual Basis Expense	<u>\$ 12,707,860</u>	<u>\$ 12,053,782</u>	<u>\$ 11,542,318</u>

NET LAND REVENUE

Net land revenue (land revenue less Department of Lands expenses) totaled \$56.5 million, \$59.6 million and \$47.5 million in fiscal years 2022, 2021 and 2020, respectively. The decline in net land revenue from fiscal 2014 through 2019 is primarily the result of the sales of leased cabin sites located near Payette and Priest Lakes. Over the last several years, the Idaho Department of Lands has increased the annual volume of timber harvested.

**Net Land Revenue for Earnings Reserves
(in \$ millions)**



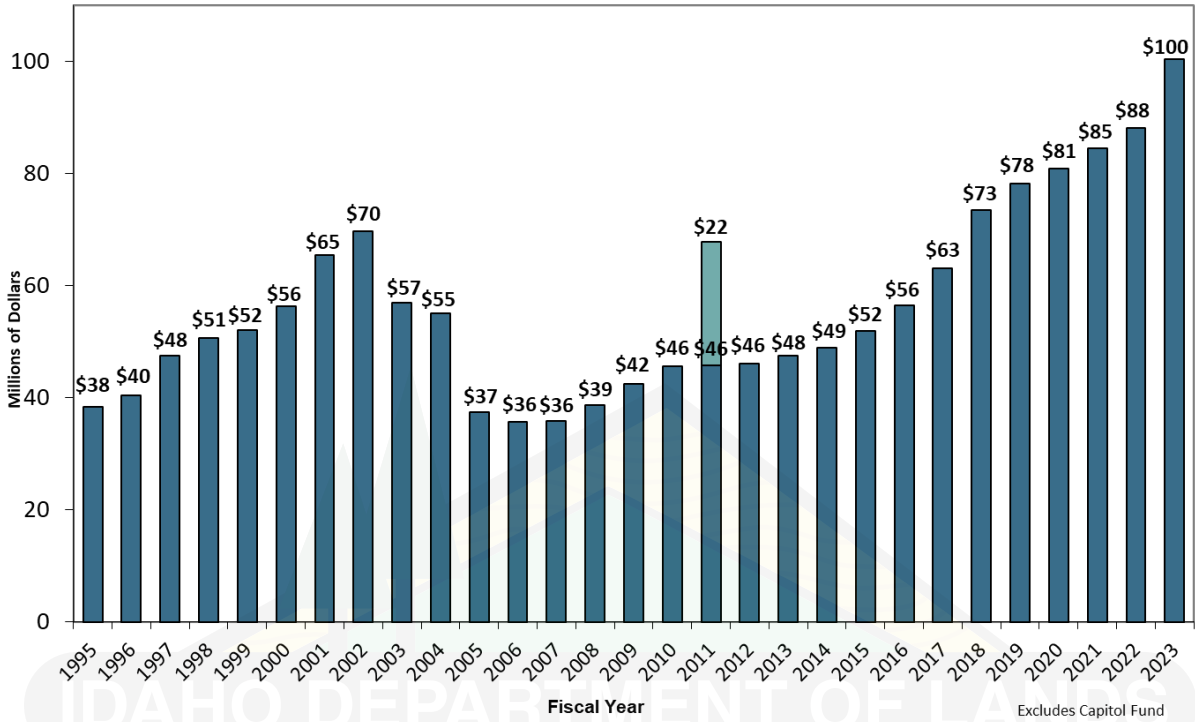
BENEFICIARY DISTRIBUTIONS

The Endowment Fund exists to provide distributions to beneficiaries in perpetuity. For all endowments, except Capitol Permanent, the Idaho State Board of Land Commissioners has established a beneficiary distribution policy. The current policy provides for annual distributions at a rate of 5% of the three-year moving average of the Permanent Fund balance (with the exception of State Hospital South which is 7%) and allows for adjustments to distributions based on factors including the level of Earnings Reserve Funds and transfers to the Permanent Funds.

Distributions to land-grant beneficiaries totaled \$88.1 million, \$84.5 million and \$80.9 million in fiscal years 2022, 2021 and 2020, respectively. The Idaho State Board of Land Commissioners approved distributions of \$100.3 million and \$100.3 million in fiscal years 2023 and 2024, respectively. The table below provides a summary of land-grant beneficiary distributions.

Beneficiary Distributions 1995-2023

(includes special Public School distribution in 2011 of \$22M)



On July 1, 2004, the Capitol Permanent Fund was pooled with the Endowment Fund for investment purposes. Additions to the Capitol Permanent Fund include revenue from timber lands, license plate royalties, and investment income. The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund. Distribution from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund totaled \$1.63 million, \$1.56 million and \$1.41 million in fiscal years 2022, 2021 and 2020, respectively. Distributions from the Capitol Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation. Distributions from the Capital Maintenance Reserve Fund to the Capitol Commission were \$125,000, \$2,450,000, and \$325,000 in fiscal years 2022, 2021 and 2020, respectively.

CREDIT ENHANCEMENT PROGRAM

On July 1, 2002, the State of Idaho’s Credit Enhancement Program for school district bond financing was established. This program, in accordance with Idaho Code Section 57-728 and in conjunction with Idaho Code Chapter 53, Title 33, requires the Public School Endowment Fund to purchase up to \$300 million in notes of the State that may be issued to avoid default on school district bonds. This credit enhancement allows eligible voter-approved school bonds to be issued

with AAA ratings, which has historically been above the State's AA+ rating. The State currently has a AAA rating which may limit the number of new participants in the program. The enhanced credit rating results in lower borrowing costs for Idaho school districts. EFIB has committed to provide credit enhancement on up to \$1.2 billion in school bonds, with a limit of \$40 million per school district. There were \$596.5 million, \$608.1 million, and \$618.9 million in bonds guaranteed by the Credit Enhancement Program as of June 30, 2022, 2021 and 2020, respectively.

RISKS

The COVID-19 pandemic has had a significant effect on global financial markets, supply chains, businesses and communities and consequently may impact various parts of operations and financial results. Management believes appropriate actions have been taken to mitigate the negative impact, however, the full impact of COVID-19 is unknown.

The Endowment Fund is aware that macroeconomic and geopolitical risks broadly affect financial markets, and it works closely with its consultant and investment managers to monitor important trends and address risks assumed in the portfolio. It also recognizes the recent escalation of cyber security risk and consistently reviews and monitors best practices used to mitigate these risks.

The logo for the Idaho Department of Lands is centered on the page. It features a stylized mountain range in the background with a green and yellow color scheme. Overlaid on this is a white banner with the text "IDAHO DEPARTMENT OF LANDS" in a bold, sans-serif font.

IDAHO DEPARTMENT OF LANDS



IDAHO ENDOWMENT FUND
INVESTMENT BOARD

State of Idaho Endowment Fund
IDAHO DEPARTMENT OF LANDS

**REPORT OF
INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Administered by the Endowment Fund Investment Board



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INDEPENDENT AUDITORS' REPORT

Endowment Fund Investment Board
State of Idaho Endowment Funds
Boise, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the State of Idaho Endowment Funds governmental fund and governmental activities administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the State of Idaho Endowment Funds' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of Idaho Endowment Funds governmental fund and governmental activities as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of The State of Idaho Endowment Funds are intended to present the financial position and the changes in financial position of The State of Idaho Endowment Funds. The financial statements do not purport to, and do not, represent the financial position or changes in financial position, of the State of Idaho as of June 30, 2022 and 2021. Our opinions are not modified with respect to this matter.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Idaho Endowment Funds and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Idaho Endowment Funds' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Idaho Endowment Funds' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Idaho Endowment Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Idaho Endowment Funds' basic financial statements. The supplementary schedules of statements of net position by endowment are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary schedules of statements of net position by endowment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedules of the gain benchmark but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2022, on our consideration of the State of Idaho Endowment Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Idaho Endowment Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State of Idaho Endowment Funds' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
August 17, 2022



STATE OF IDAHO ENDOWMENT FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis highlights the financial performance of the State of Idaho Land Grant Endowment Fund ("Endowment Fund") for the fiscal years ended June 30, 2022, 2021 and 2020.

BACKGROUND

When Idaho became the 43rd state in 1890, the Congress of the United States endowed certain lands to be used to generate income for education and other important purposes. At statehood, 3.6 million acres of land were granted to the State of Idaho ("State") and 2.5 million acres remain. Proceeds from the sale of land and income generated by the land have accumulated in the Endowment Fund which provides financial support for its beneficiaries.

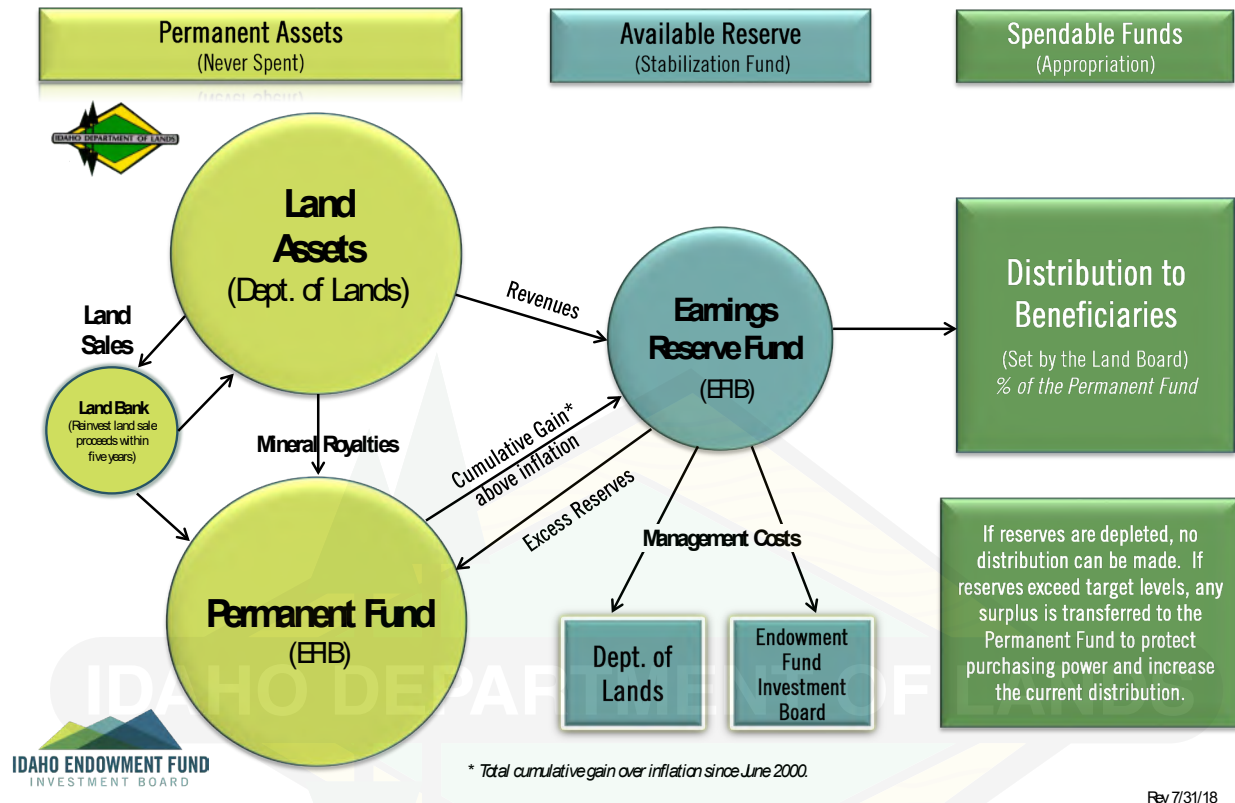
The Endowment Fund supports the following beneficiaries: Public Schools, University of Idaho Agricultural College, Charitable Institutions (Idaho State University, Juvenile Corrections Center, State Hospital North, Veterans' Home, School for the Deaf and Blind), Normal School (Idaho State University, Lewis-Clark State College), Penitentiary, University of Idaho School of Science, State Hospital South, University of Idaho and the Capitol Permanent Fund.

The Endowment Fund Investment Board ("EFIB") was created by the Idaho Legislature in 1969 and is charged with administration and investment management responsibilities for the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners. In addition, EFIB provides investment management services for funds associated with other state agencies including SIF (formerly known as the State Insurance Fund), Idaho Department of Environmental Quality, Idaho Department of Fish and Game, Idaho State Parks & Recreation and the Idaho Department of Lands. Financial results related to non-Land Grant Endowment Funds are not included in these financial statements.

THE ENDOWMENT FUND STRUCTURE

The Endowment Fund is structured to include Permanent Funds and Earnings Reserve Funds for each beneficiary. Permanent Funds are to remain intact and grow at least at the rate of inflation. Under legislation passed by the Idaho Legislature in 1998, Earnings Reserve Funds were established to pay distributions to beneficiaries and cover expenses for the Idaho Department of Lands and EFIB. Most land revenue is considered an addition to the Earnings Reserve Funds, while distributions to beneficiaries and the payment of Idaho Department of Lands and EFIB expenses are considered depletions. Each June 30, the proportionate change in market value of the Endowment Fund portfolio is allocated to each endowment's Earnings Reserve Fund and gains up to the rate of inflation to each endowment's Permanent Fund. This allocation methodology is specified in Idaho Code Section 57-720 and reflected in the following table.

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS

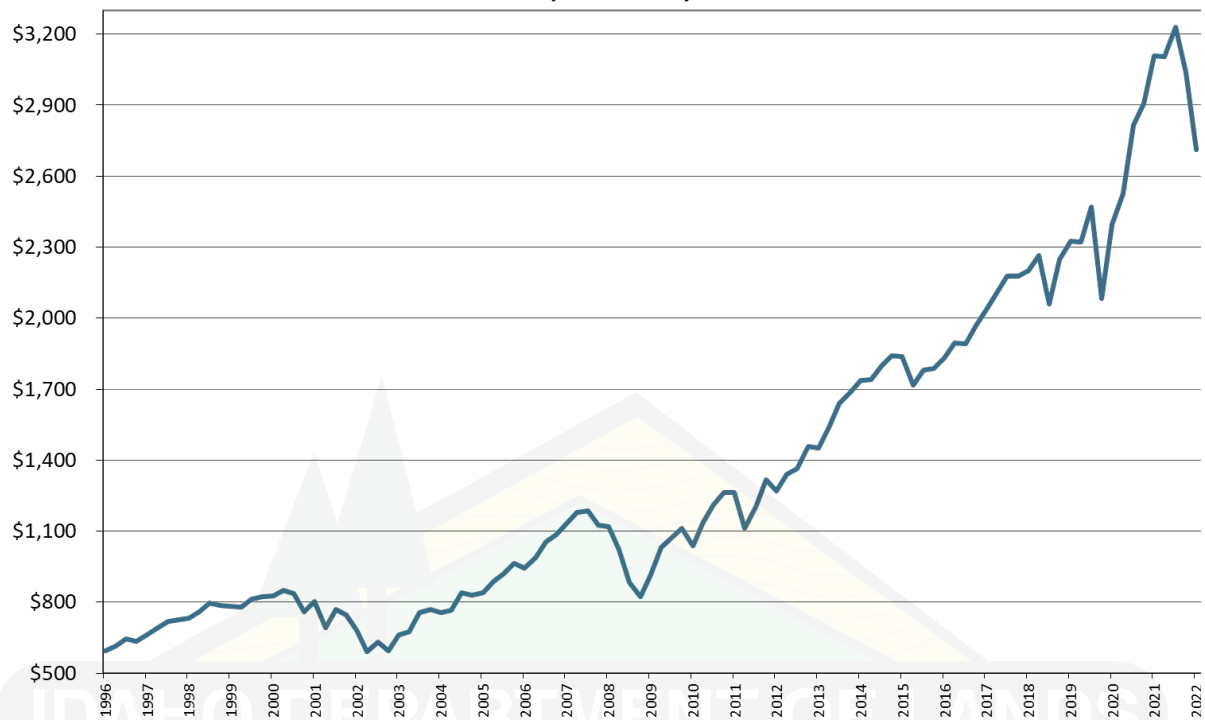


FINANCIAL HIGHLIGHTS:

CHANGES IN NET POSITION AND FUND BALANCE

Changes in the net position of the Endowment Fund are the result of investment gains or losses in the Endowment Fund portfolio, revenue generated from land assets, beneficiary distributions and Department of Lands and EFIB expenses. The Endowment Fund balance changed by -\$384.3 million, \$711.6 million and \$72.2 million during the fiscal years ended June 30, 2022, 2021 and 2020, respectively. Net position and fund balance totaled \$2,723.6 million, \$3,107.9 million and \$2,396.3 million as of June 30, 2022, 2021 and 2020, respectively.

Total Land Grant Endowment Fund Assets
June 1996 - June 2022
(in millions)



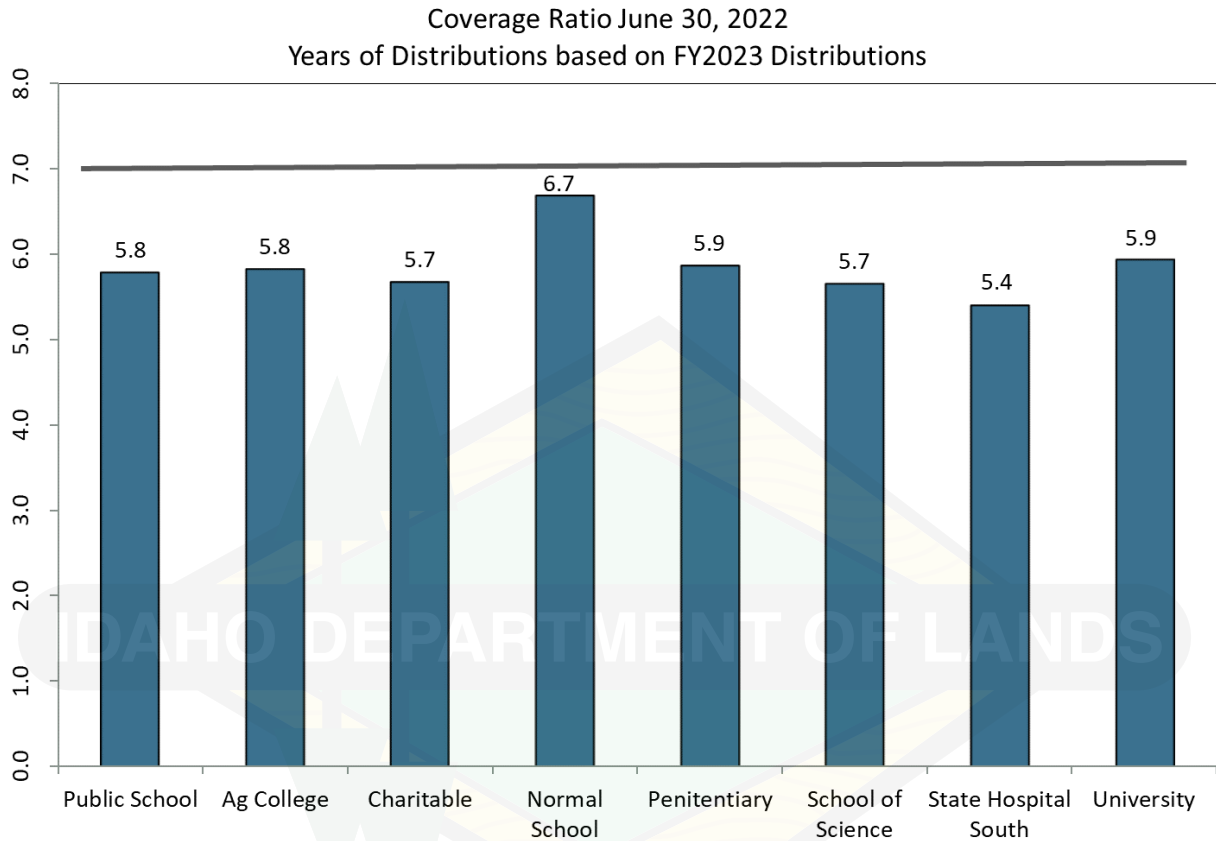
EARNINGS RESERVES

The Idaho State Board of Land Commissioners has established target earnings reserve levels for each of the Earnings Reserve Funds. The target earnings reserve levels equate to seven years of beneficiary distributions for Public Schools, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and the University of Idaho. When earnings reserves exceed the target earnings reserve levels, excess amounts may be transferred from Earnings Reserve Funds into the corresponding Permanent Funds.

Total earnings reserve levels were \$593.2 million, \$1,198.8 million and \$589.3 million as of June 30, 2022, 2021 and 2020, respectively. As of June 30, 2022, the earnings reserve balances for all of the Endowment Funds were below target earnings reserve levels.

Earnings Reserves cont.:

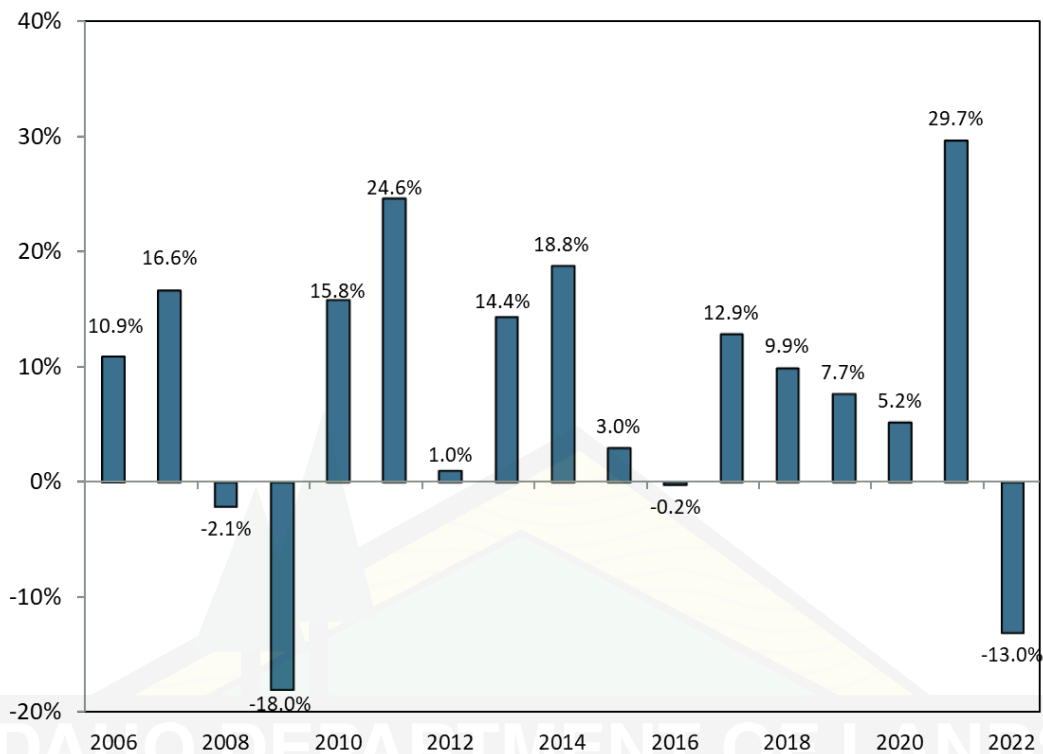
The table below highlights the earnings reserve levels expressed in years of distributions for each beneficiary.



INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of -13.0%, 29.7% and 5.2% in fiscal years end June 30, 2022, 2021 and 2020, respectively. The average annual investment returns were -13.0%, 5.9%, 7.0%, and 8.3% during the last one, three, five and ten-year periods. These investment returns ranked in the top 91st, 50th, 35th and 27th percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

Annual Gross Fund Returns



Annualized Gross Fund Returns, Ending June 30, 2022

	FY 2022	3 Years	5 Years	7 Years	10 Years
Total Fund	-13.0%	5.9%	7.0%	6.8%	8.3%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 8% ODCE, 26% BBC Aggregate)</i>	-11.2%	5.4%	6.4%	6.4%	7.8%
Total Equity	-17.9%	7.7%	8.9%	8.4%	10.6%
Domestic Equity	-17.1%	9.2%	10.5%	10.1%	12.6%
Large Cap.	-17.8%	8.6%	10.2%	10.0%	12.5%
Mid Cap.	-12.0%	11.2%	11.8%	10.5%	12.7%
Small Cap.	-21.7%	8.8%	9.1%	9.0%	12.4%
International Equity	-19.9%	4.9%	5.9%	5.4%	6.9%
Global Equity	-17.2%	7.3%	8.1%	7.1%	8.0%
<i>MSCI ACWI Index</i>	-15.8%	6.2%	7.0%	7.0%	8.8%
Total Real Estate	23.7%	10.0%	8.7%		
<i>NCREIF ODCE Index</i>	27.3%	10.3%	8.9%		
Total Fixed Income	-10.0%	-0.6%	1.2%	1.6%	1.5%
<i>Fixed-Income Benchmark (85% BBC U.S. Aggregate, 15% BBC U.S. TIPS)</i>	-9.5%	-0.3%	1.2%	1.6%	1.6%

ASSET ALLOCATION

The target asset allocation for the Endowment Fund portfolio is 66% equity, 24% fixed income, and 10% real estate. The equity portion of the portfolio currently includes 38% U.S. equity, 19% international equity and 9% global equity. The fixed income portion of the portfolio includes 11% in the Bloomberg Barclay's Aggregate Index and 13% in an actively managed core plus strategies. The real estate portion of the portfolio is invested in private core real estate strategies.

INVESTMENT MANAGEMENT

The EFIB engages the services of an investment consultant who acts as an independent fiduciary and provides advice in areas such as investment policies and guidelines, asset allocation strategies, portfolio risk/return modeling and hiring and monitoring of investment managers. Callan has served as EFIB's investment consultant since 2007. They were reappointed in 2019 after a national consultant search.

The EFIB engages investment managers who are given full discretion to make investment decisions subject to policies and guidelines specific to the investment strategy they are managing. As of June 30, 2022, the EFIB engaged twenty investment managers including Barrow Hanley, Boston Partners, CBRE Investment Management, Clearwater Advisors, DoubleLine Capital, DWS, Eagle Asset Management, Fiera Capital/StonePine Asset Management, LSV Asset Management, Northern Trust Investments, Sands Capital, Schroders, State Street Global Advisors, Sycamore/Victory Capital, TimesSquare Capital Management, UBS Realty Investors, Vanguard, WCM Investment Management, Wellington and Western Asset Management.

The EFIB engages Northern Trust Company for custodial services. Northern Trust Company is responsible for the safekeeping of assets, trade settlement, accounting, security valuation, investment performance reporting and proxy voting.

COST OF INVESTMENT MANAGEMENT

The cost for investment management was \$12.7 million, \$12.1 million and \$11.6 million in fiscal years 2022, 2021 and 2020, respectively. Investment management expenses as a percentage of year-end Endowment Fund net positions equates to 0.47%, 0.39% and 0.48% in fiscal years 2022, 2021 and 2020, respectively. The table below provides a breakdown of investment management expenses.

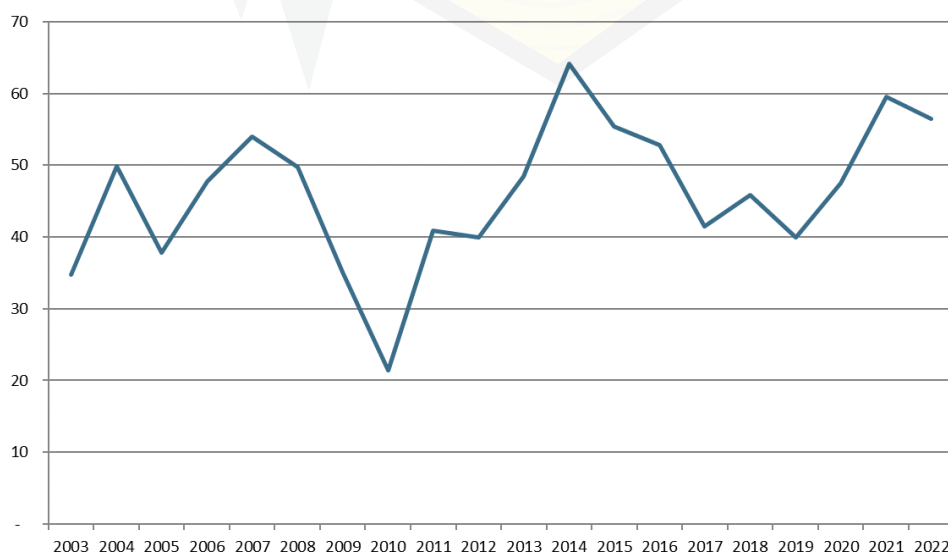
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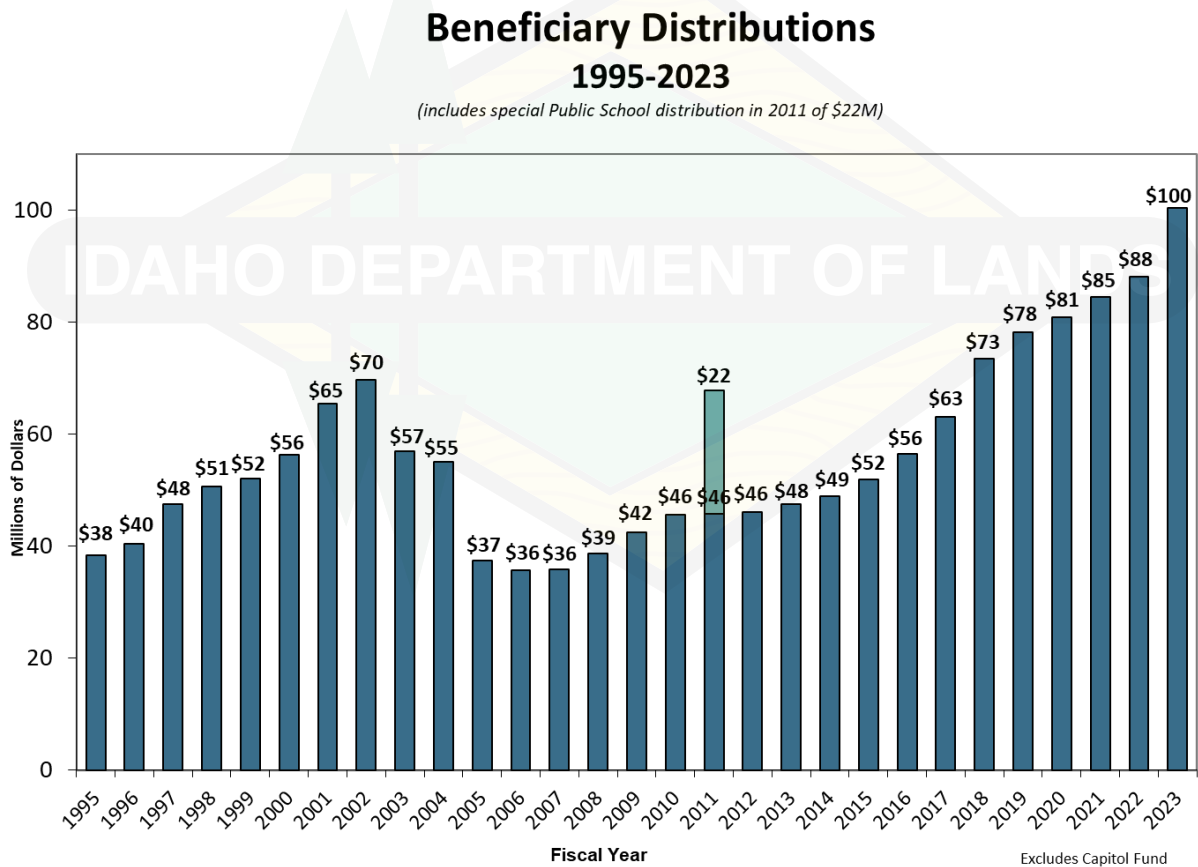
**Net Land Revenue for Earnings Reserves
(in \$ millions)**



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RISKS

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USING THIS ANNUAL REPORT

The annual report consists of the independent auditors' report, financial statements, notes to the financial statements and supplementary schedules. The financial statements, notes to the financial statements and supplementary schedules are prepared by the EFIB staff and are intended to give the reader a complete understanding of the Endowment Fund. The financial statements consist of the Governmental Balance Sheets and Statements of Net Position, the Governmental Statements of Revenues, Expenditures and Changes in Governmental Fund Balances and the Statements of Governmental Activities. The notes to the financial statements are an integral part of the financial statements and provide additional information on the Endowment Fund and its operations.

STATE OF IDAHO ENDOWMENT FUND
 GOVERNMENTAL BALANCE SHEETS AND STATEMENTS OF NET POSITION -
 GOVERNMENTAL ACTIVITIES
 JUNE 30, 2022 AND 2021



Assets:	2022	2021
Investments, at Fair Value	\$ 2,723,493,232	\$ 3,117,669,982
Receivable for Unsettled Trades	59,034,380	48,432,418
Receivable From Idaho Department of Lands	1,001,580	2,327,982
Accrued Interest and Dividends Receivable	6,383,324	6,715,855
Prepaid Expenses to the Department of Lands	5,579,481	7,141,576
Total Assets	\$ 2,795,491,996	\$ 3,182,287,813
Liabilities:		
Payable for Unsettled Trades	\$ 69,454,870	\$ 71,605,011
Investment Manager Expenses Payable	2,474,321	2,840,242
Total Liabilities	71,929,191	74,445,253
Fund Balances:		
Nonexpendable - Permanent Funds	2,130,376,793	1,909,079,493
Expendable - Earnings Reserve Funds	593,186,012	1,198,763,067
Total Fund Balances	2,723,562,805	3,107,842,560
Total Liabilities and Fund Balances	\$ 2,795,491,996	\$ 3,182,287,813

The EFIB has one liability that is not included in the Statement of Net Position, which makes it different from modified accrual to full accrual basis. The difference is the Lease payable that is required to be disclosed through GASB Statement No. 87. The Lease liability for 2022 and 2021 were \$38,333 and \$76,667, respectively. This liability is offset by a corresponding asset, Lease - Right to Use, and therefore not included in the Statement of Net Position.

Statement of Net Position:		
Restricted for Permanent Trust - Nonexpendable	\$ 2,130,376,793	\$ 1,909,079,493
Restricted for Permanent Trust - Expendable	593,186,012	1,198,763,067
Total Net Position - Governmental Activities	\$ 2,723,562,805	\$ 3,107,842,560

See Notes to Financial Statements

STATE OF IDAHO ENDOWMENT FUND
 GOVERNMENTAL STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
 GOVERNMENTAL FUND BALANCES AND STATEMENTS OF GOVERNMENTAL ACTIVITIES
 FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021



Revenues:	2022	2021
Receipts from the Department of Lands		
Permanent Receipts	\$ 53,797,648	\$ 34,401,055
Earnings Reserve Receipts	83,905,915	86,471,855
Net Income (Loss) from Investments	(393,665,129)	716,607,386
Total Revenues	(255,961,566)	837,480,296
 Expenditures:		
Department of Lands	27,408,829	26,895,548
EFIB	12,707,860	12,053,782
Total Expenditures	40,116,689	38,949,330
 Revenues Over (Under) Expenditures	(296,078,255)	798,530,966
 Other Financing Uses		
Distributions to Beneficiaries	88,201,500	86,970,800
Net Increase (Decrease) in Fund Balance	(384,279,755)	711,560,166
 Fund Balance - Beginning of Year	3,107,842,560	2,396,282,394
Fund Balance - End of Year	\$ 2,723,562,805	\$ 3,107,842,560
 Change in Net Position - Government Activities	\$ (384,279,755)	\$ 711,560,166

There were no expenses which require the use of current financial resources. The amount for the Change in Net Position (shown below) is the same amount as shown above in the Governmental Statement of Revenues, Expenditures and Changes in Governmental Fund Balances. The EFIB expense amount does reflect the cost of principal and interest for the Lease Payable and the Right of Use under GASB 87. For FY 2022 and 2021, the principal paid was \$38,334, and \$38,334, the interest paid was \$10,226, and \$8,812, respectively.

See Notes to Financial Statements

NOTE 1 - GENERAL DESCRIPTION OF THE FUND

The Endowment Fund Investment Board (the EFIB) is charged with administration and investment management responsibilities for the State of Idaho Endowment Fund (the “Endowment Fund”), which is comprised of Permanent and Earnings Reserve Funds for beneficiaries including Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University of Idaho Endowment Funds, as well as the Capitol Permanent Fund and Capitol Maintenance Reserve Fund.

The Endowment Fund is part of the State of Idaho’s financial reporting and is included in the State’s Annual Comprehensive Financial Report (ACFR). The Endowment Fund is invested according to investment policies recommended by the EFIB Board and established by the Idaho State Board of Land Commissioners.

The EFIB has no control over assets held by the Idaho Department of Lands (IDL); therefore, the EFIB gives accounting recognition only when transactions related to endowment land assets are completed by IDL.

Endowment Fund Investment Reform Legislation

On July 1, 2000, the EFIB significantly changed operations and reporting of the Endowment Fund, under legislation enacted by the Idaho Legislature in 1998.

The legislation provides that:

- (1) The EFIB, as trustees, will control, manage and invest the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners.
- (2) The application of the Uniform Prudent Investor Act replaces the previous, more restrictive, investment criteria.
- (3) An Earnings Reserve Fund was established to create a buffer to preserve the Permanent Fund balances.
- (4) Administrative costs are to be paid from earnings of the Endowment Fund instead of from annual General Fund appropriations.
- (5) Distributions to beneficiaries are determined by the Idaho State Board of Land Commissioners and are to be paid from the Earnings Reserve Funds, which include investment earnings, net capital gains and certain receipts from IDL.

In March 2004, legislation was enacted which establishes an objective that the Permanent Funds of each endowment grow from June 2000 levels at least at the cumulative rate of inflation plus deposits. Further, it provides that any income and market appreciation of the Permanent Funds can only be transferred to the Earnings Reserve Funds if that objective has been achieved.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial statements reflect the assets of the Endowment Fund and are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

The Endowment Fund is part of the State of Idaho reporting entity based on certain GASB criteria. These statements present only the Endowment Fund and are not intended to present the financial position and results of operations of the State of Idaho in conformity with generally accepted accounting principles in the United States of America.

Basis of Presentation

The Endowment Fund is accounted for and reported as a Permanent Fund as defined by GASB and uses the modified accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenditures are recognized when they are incurred. The statement of net position and the statement of activities display information about the Endowment Fund and includes the financial activity of the overall reporting entity. These statements report all activities of the Endowment Fund as a governmental type activity. Given the type of assets and liabilities held by Endowment Fund, there are no adjustments required to convert from modified accrual basis to full accrual basis as required by GASB.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

According to policies established by the State Board of Land Commissioners, the EFIB is authorized to invest the Endowment Fund in certain fixed income, real estate and equity investments as defined by the investment policy of the EFIB and consistent with Idaho Code Section 57-723. This section states in part, "The EFIB and its investment manager(s) or custodian(s) shall be governed by the Idaho Uniform Prudent Investor Act (Chapter 5, Title 68, Idaho Code), and shall invest and manage the assets of the respective trusts in accordance with that act and the Idaho constitution." In accordance with this code section, the EFIB's investment policy, specifies that the Endowment Funds may be invested in equities (61% to 71% of the investment portfolio, with a target of 66%), fixed income (21% to 27% of the investment portfolio, with a target of 24%), and real estate (7% to 13% of the investment portfolio, with a target of 10%).

The following is a list of investments by asset class allowed by the general investment policy:

- (1) Cash Equivalents: Treasury bills; money market funds; STIF funds; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit.
- (2) Fixed Income: U.S. government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds; commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; Sequential pay CMO's; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144A and Section 4(2) of Securities Act of 1933; or securities eligible for inclusion in the Bloomberg Barclays Aggregate Bond Index.
- (3) Equities: Common stocks; convertible preferred stocks; preferred stocks; REITS; American depository receipts (ADRs); stocks of non-U.S. companies (ordinary shares).
- (4) Real Estate: Domestic, private, open-end, core comingled funds, REITS.
- (5) ETFs, Mutual Funds and Collective Funds which invest in securities as allowed in this statement or as permitted in Investment Manager Guidelines. Investment managers will advise the MOI of their intent to utilize ETFs prior to their purchase, what specific ETFs they intend to use and the purposes they serve.
- (6) Futures, Options and Swaps: The EFIB may use financial index futures and options in order to adjust the overall effective asset allocation of the entire portfolio or it may use swaps, futures or options to hedge interest rate or currency exposure. For example, S&P 500 and 10-Year Treasury futures may be used to equitize idle cash and to passively rebalance the portfolio. Futures and options positions are not to be used for speculation, and the EFIB must specifically approve the program for each type of use. Derivative exposure must have sufficient cash, cash equivalents, offsetting derivatives or other liquid assets to cover such exposures Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.
- (7) Derivative securities: Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, and interest rate swaps, among others. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in the Investment Manager Guidelines, the Investment Manager(s) must seek written permission from the EFIB to include derivative investments in the Fund's portfolio. The Investment Manager(s) must present detailed written information as to the expected return and risk characteristics of such investment vehicles.

(8) Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.

In fiscal years 2022 and 2021, the EFIB utilized index futures for cash equitization and passive rebalancing. Index futures obligate the buyer to purchase an asset (or the seller to sell an asset) at a predetermined future date and price. Futures contracts detail the quality and quantity of the underlying asset and are standardized to facilitate trading on a futures exchange.

The table below summarizes the various contracts in the portfolio as of June 30, 2022. The notional value of these instruments is not recorded in the financial statements.

Derivatives	Expiration Date	Contracts	Notional Value	Unrealized Gain/(Loss)
Swaps	Various	24	\$82,939,069	\$2,699,148
Equity Contracts	Various	2	\$129,230	\$0
Foreign Exchange Contracts	Various	51	(\$255)	(\$468,424)
Interest Rate Contracts	Various	14	\$709	\$0

The table below summarizes the various contracts in the portfolio as of June 30, 2021. The notional value of these instruments is not recorded in the financial statements.

Derivatives	Expiration Date	Contracts	Notional Value	Unrealized Gain/(Loss)	Required Margin
10-Year Treasury Notes	Sept. 2021	411	\$54,497,739	\$289,862	\$1,105,303
Swaps	Various	22	\$70,881,021	\$1,125,281	
Equity Contracts	Various	1	\$7,427	\$0	
Foreign Exchange Contracts	Various	54	\$8,354,005	\$385,472	

Expendable and Nonexpendable Net Position

The net position of the Earnings Reserve Funds is the expendable assets of the Endowment Fund. These expendable assets are used for distributions to beneficiaries and distributions for expenses of the EFIB and the IDL. The net position of the Permanent Funds is the nonexpendable assets.

Income from Investments

Income from investments is recognized when earned and includes interest, dividends, other income, and market appreciation (realized and unrealized). Income from investments is allocated and distributed to each fund participating in the investment pool in the same ratio that each fund's average daily balance bears to the total daily balance of all funds. Income from investments is recorded on an accrual basis.

Within each endowment, income from investments is further allocated to its Permanent Fund and Earnings Reserve Fund in accordance with Idaho Code Sections 57-723A and 57-724A. The definition of

“income” to be allocated depends on whether or not the Permanent Fund portion of an endowment fund has exceeded, at the end of the fiscal year, its “Gain Benchmark” as defined in statute.

The Gain Benchmark, as specified in Idaho Code Section 57-724, represents the desired or targeted value of principal or corpus in each endowment fund (excluding Capitol Permanent). It is determined by starting with the balance at June 30, 2000, and adding deposits (mainly extracted minerals from endowment land and the sale of endowment land), the annual impact of inflation (based on the Consumer Price Index – All Urban (CPI)), and certain reinvested income (transfers from Earnings Reserve designated by the Land Board as a permanent increase in corpus). The level of the Gain Benchmark determines whether income from investments in the Permanent Fund should be retained to offset inflation and previous losses or is eligible to be transferred to the Earnings Reserve as distributable income. The Permanent Funds at the end of FY2022 were below the gain benchmark and 2021 were at the gain benchmark.

Losses in Principal of the Permanent Funds

At the end of each fiscal year, the EFIB is required to calculate whether the fair market values of the Permanent Funds are below the principal or Loss Benchmark level as defined in statute (June 30, 2000 value adjusted for deposits – primarily revenues from extracted minerals and proceeds of land sales).

A loss in principal of the Public School Permanent Fund is made up as follows:

- (1) The State Board of Land Commissioners may transfer any funds in the Public School Earnings Reserve Fund that they determine will not be needed for administrative costs or scheduled distributions in the following fiscal year to the Public School Permanent Fund, to make up for any prior losses in value.
- (2) If funds transferred from the Earnings Reserve Fund are insufficient to make up all losses in value to the Public School Permanent Fund, the remaining loss shall be made up, within ten years, by legislative transfer or appropriation. If subsequent gains, as determined pursuant to the statute, or transfers from the Earnings Reserve Fund, make up for any remaining loss before this ten-year period expires, then no legislative transfer or appropriation shall be necessary.

A loss in principal of the Permanent Funds other than the Public School Permanent or Capitol Permanent Funds shall be made up from Earnings Reserve Fund monies that the State Board of Land Commissioners determines will not be needed for administrative costs or scheduled distributions to each endowment’s respective beneficiary.

Federal law requires that losses to the Agricultural College fund must be made up by the State, but the requirement to restore losses to that endowment has not been established in statute.

There is no statutory requirement to make up losses or calculate a Gain or Loss Benchmark in the Capitol Permanent Fund.

Distributions to Beneficiaries

With the exception of the Capitol Funds, distributions to the other eight beneficiaries are authorized annually by the State Board of Land Commissioners and are made in equal installments on approximately the 10th of each month. Distributions to the Capitol Maintenance Reserve Fund from the Capitol Permanent Fund are authorized by the EFIB and distributed in July of each fiscal year. Distributions from the Capitol Maintenance Reserve Fund are authorized by the Capitol Commission.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to or deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, see Note 10.

Other

Investments have risks that the other parties to securities transactions do not fulfill their contractual obligations. The EFIB attempts to minimize such risks by diversifying the portfolio investments, monitoring investment grade and quality, and purchasing primarily investment grade fixed income securities.

The EFIB does not intend to use market timing as an investment strategy. However, the investment policy provides the flexibility for tactical asset allocation and rebalancing using capitalizations, investment styles, sectors, and other factors.

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021



NOTE 3 - INVESTMENTS

Investments at June 30, 2022 and 2021:

Fund Investments	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Barrow, Hanley	\$ 45,122,059	\$ 52,001,283	\$ 39,369,636	\$ 63,693,476
Boston Partners	111,621,806	131,423,125	110,293,234	153,702,774
CBRE	103,795,028	105,169,663		
Clearwater Advisors	860,473	860,473	1,773,500	1,773,500
DoubleLine Capital - Core Plus	195,685,816	176,691,383	171,994,662	173,660,108
Eagle Asset Management	52,911,034	53,864,850	46,734,973	69,938,505
Fiera Capital Global	84,496,947	117,213,894	86,198,904	146,027,509
LSV Asset Management	115,961,234	137,771,630	106,477,023	150,477,512
Northern Trust Money Market Fund*	12,995,900	12,995,900	165,675,084	360,350,820
NTGI S&P 500 Index	161,643,589	290,608,746	13,993,093	13,993,092
RREEF America REIT II IN	141,377,096	190,544,384	91,438,249	103,910,932
Sands Capital Management	159,157,932	126,994,027	94,938,404	169,960,114
Schroders QEP International Value	233,811,050	211,475,134	231,454,462	261,321,013
State Street Global Advisors	289,584,674	263,010,593	414,750,037	433,663,884
Sycamore Capital Mid Cap	105,515,961	112,619,316	92,405,031	116,838,687
TimesSquare Capital Management	97,381,812	100,274,832	88,247,501	124,968,491
UBS Trumbull Property	37,839,381	45,122,987	90,757,522	98,485,369
Vanguard Dev Market Index Fund	81,291,420	77,445,670	48,804,594	62,506,649
WCM Focused Growth	188,062,984	214,312,112	149,989,430	270,627,184
Wellington Global	134,230,597	118,154,830	119,517,522	143,695,182
Western Asset Management - US Core	185,303,775	174,517,909	166,876,357	174,902,588
Total Fund Investments	2,538,650,569	2,713,072,742	2,331,689,218	3,094,497,389
Pending Trades:				
Receivable for Investments Sold	(59,034,380)	(59,034,380)	(48,432,418)	(48,432,418)
Payable for Investments Purchased	69,454,870	69,454,870	71,605,011	71,605,011
Total Net Investments	\$ 2,549,071,059	\$ 2,723,493,232	\$ 2,354,861,810	\$ 3,117,669,982

*This is cash that is not allocated to an investment manager

CUSTODIAL CREDIT RISK - The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to EFIB ownership and further to the extent possible, be held in the EFIB's name. At June 30, 2022, all Endowment Fund investments were insured or registered investments, or investments held by the EFIB or their agent in the EFIB's name.

The State Treasurer, per the State Constitution, is the custodian of the investments of the Public School Endowment Fund. Investments for the Endowment Fund are held under a safekeeping agreement with the Trust Department of the Northern Trust Company.

**STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**



CONCENTRATION OF CREDIT RISK – The EFIB minimizes exposure to concentration of credit risk by establishing concentration of credit risk limits in investment manager portfolio guidelines. As of June 30, 2022 and 2021, the Endowment Fund did not hold any credit positions exceeding 5% of the total portfolio, other than securities issued or guaranteed by the United States government.

As of June 30, 2022 and 2021, the Endowment Funds held \$71.7 million and \$82.3 million, respectively, in a comingled Treasury-only money market fund rated AAAM by S&P with a modified adjusted duration of 0.1 years. These balances as of June 30, 2022 and 2021, include \$58.2 million and \$13.5 million of general cash and \$20.0 million and \$7.7 million of cash held in accounts allocated to the Funds' bond and equity managers, respectively.

As of June 30, 2022 and 2021, the Endowment Fund's fixed income investments had the following characteristics:

**Credit Ratings Summary by Market Value-Moody's
As of June 30, 2022**

Investment Type	Modified Duration	Aaa	Agy	Aa	A	Baa	Ba	B	>B	NR/Not Available	Total
Asset Backed Securities	2.5	\$ 983,242	\$ -	\$ 1,813,163	\$ 2,581,898	\$ 10,621,468	\$ 1,730,982	\$ -	\$ 4,065,449	\$ 2,087,018	\$ 23,883,220
Bank Loans	0.0	-	-	-	-	-	238,621	394,724	-	-	633,345
Commercial Mortgage-Backed	3.6	6,069,222	-	2,820,004	3,979,938	2,256,084	934,000	1,013,183	96,095	1,265,096	18,433,622
Corporate Bonds	7.1	3,073,267	-	5,710,101	54,641,307	81,999,269	12,042,832	4,424,923	1,177,031	823,530	163,892,260
Corporate Convertible Bonds	9.0	-	-	-	47,570	-	327,638	-	-	-	375,208
Funds - Corporate Bond	7.0	-	-	12,912,075	-	-	-	-	-	-	12,912,075
Funds - Government Agencies	2.0	-	1,675,501	-	-	-	-	-	-	-	1,675,501
Funds - Other Fixed Income	4.6	-	-	-	-	-	17,097,491	22,441,448	-	-	39,538,938
Government Agencies	3.9	7,475,320	458,751	904,765	357,134	882,149	165,073	-	-	405,450	10,648,643
Government Bonds	8.2	154,592,324	3,868,272	459,586	1,580,001	10,441,721	1,055,519	128,942	-	-	172,126,365
Government Mortgage Backed Secur	8.4	389,467	132,731,832	-	-	-	-	-	-	122,247	133,243,546
Govt-issued Commercial Mortgage-B	5.8	-	2,580,893	-	-	-	-	-	-	-	2,580,893
Municipal/Provincial Bonds	8.6	396,025	-	1,525,552	508,398	100,484	-	-	-	144,411	2,674,869
Non-Government Backed C.M.O.s	3.8	2,396,983	-	-	294,810	1,718,477	712,555	-	4,285,602	3,566,833	12,975,261
Total		\$ 175,375,850	\$ 141,315,249	\$ 26,145,246	\$ 63,991,056	\$ 108,019,652	\$ 34,304,711	\$ 28,403,220	\$ 9,624,177	\$ 8,414,585	\$ 595,593,746

**Credit Ratings Summary by Market Value-Moody's
As of June 30, 2021**

Investment Type	Modified Duration	Aaa	Agy	Aa	A	Baa	Ba	B	>B	NR/Not Available	Total
Asset Backed Securities	3.4	\$ 634,598	\$ -	\$ 557,342	\$ 887,041	\$ 16,727,126	\$ -	\$ 2,059,074	\$ 5,202,441	\$ 1,587,164	\$ 27,654,786
Commercial Mortgage-Backed	4.5	4,100,776	-	832,798	11,850,948	752,120	121,352	1,456,371	-	1,874,057	20,988,422
Corporate Bonds	7.9	2,529,872	-	10,723,126	59,478,117	87,573,730	11,657,856	4,311,568	1,700,990	3,850,159	181,825,418
Corporate Convertible Bonds	3.7	-	-	-	-	54,040	-	193,964	-	198,671	446,675
Funds - Corporate Bond	3.8	-	-	11,846,050	-	-	-	-	-	-	11,846,050
Funds - Government Agencies	7.0	-	8,455,481	-	-	-	-	-	-	-	8,455,481
Funds - Other Fixed Income	2.0	342,914	-	-	-	199,211	1,833,019	30,079,719	222,031	81,711	32,758,605
Government Agencies	4.6	10,034,763	352,422	1,356,973	746,391	-	594,955	-	-	139,278	13,224,781
Government Bonds	8.0	177,312,240	3,935,614	1,405,749	1,999,948	15,522,069	1,980,446	405,119	-	892,540	203,453,726
Government Mortgage Backed Secur	4.3	-	128,742,710	-	-	91,385	-	-	-	179,219	129,013,314
Govt-issued Commercial Mortgage-B	5.9	-	3,146,659	-	-	-	-	-	-	-	3,146,659
Index Linked Government Bonds	5.0	118,513,322	-	-	-	-	-	-	-	-	118,513,322
Municipal/Provincial Bonds	9.4	412,664	-	1,827,743	307,763	224,268	-	-	-	463,315	3,235,752
Non-Government Backed C.M.O.s	4.0	-	-	-	7,266,981	-	-	-	3,886,535	812,819	11,966,336
Total		\$ 313,881,149	\$ 144,632,886	\$ 28,549,781	\$ 82,537,189	\$ 121,143,949	\$ 16,187,628	\$ 38,505,815	\$ 11,011,997	\$ 10,078,933	\$ 766,529,327

*The Ba column includes bonds that are split rate and meet the minimum requirement of one of the two ratings agencies specified in the EFIB Statement of Investment Policy.

CREDIT RISK - EFIB Investment policy limits fixed income securities to: U.S. government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds; commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other “early tranche” CMO’s; Sequential pay CMO’s; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144A and Section 4(2) of Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays U.S. TIPS Index or Bloomberg Barclays Aggregate Bond Index.

INTEREST RATE RISK - Managers will provide EFIB with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.



IDAHO DEPARTMENT OF LANDS

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021



FOREIGN CURRENCY RISKS – The EFIB’s Investment Policy Statement permits investments in international securities. The Endowment Fund’s exposure to foreign currency risk is as follows:

Investment and Country	Currency	2022	2021
		Fair Value	Fair Value
Argentina	ARS	\$ 60,396	\$ 78,982
Australia	AUD	14,876,908	16,156,726
Brazil	BRL	2,454,849	8,585,547
Canada	CAD	23,582,838	20,080,705
Chile	CLP	69,318	285,859
Chinese Yuan	CNY	(1,068,000)	(2,716,323)
Chinese Yuan (HK)	CNH	547,474	530,655
Czech Republic	CZK	-	193,145
Denmark	DKK	12,522,555	12,779,517
European Monetary Union	EUR	85,159,786	96,455,042
Great Britain	GBP	53,461,852	58,199,470
Hong Kong	HKD	38,329,820	57,610,838
Hungary	HUF	677,853	579,395
India	INR	223,880	237,737
Indonesia	IDR	2,811,633	2,990,765
Israel	ILS	257,221	565,447
Japan	JPY	51,008,648	74,146,943
Malaysia	MYR	357,890	1,088,224
Mexico	MXN	5,899,658	6,429,800
New Zealand	NZD	52,919	285,827
Norway	NOK	5,293,768	3,904,709
Philippines	PHP	-	36,196
Poland	PLN	790,262	1,927,002
Russia	RUB	20,759	3,860,543
Singapore	SGD	1,987,260	1,865,961
South Africa	ZAR	2,229,621	2,390,829
South Korea	KRW	12,888,518	18,489,283
Sweden	SEK	16,641,778	17,037,300
Switzerland	CHF	52,110,996	54,491,984
Taiwan	TWD	14,163,346	19,215,670
Thailand	THB	1,990,359	2,121,509
Turkey	TRY	149,369	2,251,170
Total		\$ 399,553,532	\$ 482,156,457

NOTE 4 – INCOME FROM INVESTMENTS

Per Idaho Code Section 57-724A, income distributed to the Earnings Reserve Fund includes the Permanent Fund’s total cumulative income (interest, dividends and market appreciation/depreciation) above its Gain Benchmark (original principal, adjusted for deposits and inflation). The Permanent Fund retains any income to the extent of inflation and any cumulative losses carried forward from the previous year.

The Components of net income/(loss) from investments for Fiscal Year 2022 and their allocation are shown below:

Permanent Fund Income
 For the Fiscal Year Ended June 30, 2022

Endowment	Net Decrease in Fair Value	Interest, Dividends and Other Income	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ (220,709,759)	\$ 28,776,270	\$ -	\$ (191,933,490)
Agricultural College	(7,222,134)	933,726	-	(6,288,408)
Charitable	(25,701,825)	3,323,814	-	(22,378,011)
Normal School	(25,347,698)	3,310,084	-	(22,037,614)
Penitentiary	(11,900,424)	1,529,096	-	(10,371,328)
School of Science	(24,744,312)	3,190,529	-	(21,553,783)
State Hospital South	(21,134,778)	2,761,618	-	(18,373,160)
University of Idaho	(21,957,528)	2,851,014	-	(19,106,514)
Capitol Permanent **	(6,082,878)		853,236	(5,229,642)
Total	\$ (364,801,336)	\$ 46,676,151	\$ 853,236	\$ (317,271,949)

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below.

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income
 For the Fiscal Year Ended June 30, 2022

Endowment	Net Decrease in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Loss
Public School	\$ (56,848,219)	\$ 9,736,329		\$ (47,111,890)
Agricultural College	(1,665,379)	293,504		(1,371,875)
Charitable	(5,976,123)	1,064,733		(4,911,390)
Normal School	(6,552,835)	1,100,434		(5,452,400)
Penitentiary	(2,754,345)	501,148		(2,253,197)
School of Science	(5,496,751)	1,009,861		(4,486,890)
State Hospital South	(6,426,862)	1,099,868		(5,326,994)
University of Idaho	(4,972,181)	896,513		(4,075,667)
Capitol Maintenance **	(1,613,601)	210,726	-	(1,402,876)
Total	\$ (92,306,296)	\$ 15,913,115	\$ -	\$ (76,393,180)

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

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The Components of income from investments for Fiscal Year 2021 and their allocation are shown below:

Permanent Fund Income
 For the Fiscal Year Ended June 30, 2021

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 25,890,301	\$ -	\$ 25,890,301
Agricultural College	-	755,708	-	755,708
Charitable	-	2,883,380	-	2,883,380
Normal School	-	2,651,556	-	2,651,556
Penitentiary	-	1,280,585	-	1,280,585
School of Science	-	2,759,334	-	2,759,334
State Hospital South	-	2,175,312	-	2,175,312
University of Idaho	-	2,411,282	-	2,411,282
Capitol Permanent **	8,989,347	-	807,266	9,796,613
Total	\$ 8,989,347	\$ 40,807,458	\$ 807,266	\$ 50,604,070

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below).

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income
 For the Fiscal Year Ended June 30, 2021

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 90,136,525	\$ 36,003,209	\$ 281,947,172	\$ 408,086,906
Agricultural College	3,282,747	1,160,340	8,866,554	13,309,641
Charitable	11,757,057	4,174,909	31,519,666	47,451,632
Normal School	10,420,410	3,778,140	31,679,626	45,878,177
Penitentiary	6,200,882	1,861,194	13,658,819	21,720,895
School of Science	12,051,876	3,926,701	29,440,604	45,419,181
State Hospital South	11,997,304	3,438,697	26,182,982	41,618,983
University of Idaho	10,613,967	3,472,558	26,064,126	40,150,650
Capitol Maintenance **	2,148,176	219,075	-	2,367,251
Total	\$ 158,608,945	\$ 58,034,823	\$ 449,359,548	\$ 666,003,316

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

The components of Interest, Dividends and Other Income are shown below:

Income From Investments	2022	2021
Interest, Other Income and Fees	\$ 30,475,838	\$ 30,707,181
Dividends	32,966,664	28,134,908
Total	\$ 63,442,502	\$ 58,842,089

NOTE 5 – CLIENT EXPENDITURES

Four clients, representing twelve additional perpetual funds in Fiscal Year 2022 and 2021, are included in the same comingled investment pool as the Endowment Fund and their assets totaled \$162 million and \$186 million as of June 30, 2022 and 2021, respectively. These balances are not included in the EFIB financial statements.

In fiscal year 2022, expenses of the EFIB were paid from the Earnings Reserve Funds and by the EFIB’s other clients. The portions paid by the other clients were paid under investment management contracts and are not considered an expenditure of the Endowment Funds and are therefore not included as expenditures or as reimbursements in these financial statements. Total expenditures were \$790,157 and \$696,243 for the fiscal years ended June 30, 2022 and 2021, respectively.

NOTE 6 – BENEFICIARY DISTRIBUTIONS

Distributions to beneficiaries for the Fiscal Years ended June 30, 2022 and 2021 are shown below.

Total Fund Distributions		
Beneficiary	2022	2021
Public School	\$ 54,798,000	52,586,400
Agricultural College	1,660,000	1,551,600
Charitable Institutions	6,179,000	5,991,600
Normal School	5,487,500	5,334,000
Penitentiary	2,689,500	2,500,800
School of Science	5,735,500	5,420,400
State Hospital South	6,425,000	6,369,600
University of Idaho	5,102,000	4,766,400
Subtotal	<u>88,076,500</u>	<u>84,520,800</u>
Capitol Maintenance	125,000	2,450,000
Total Distributions	<u>\$ 88,201,500</u>	<u>\$ 86,970,800</u>

Pursuant to Idaho Code Section 66-1106, the Charitable Institutions Endowment Fund income is distributed to five institutions according to the factors shown below. Distributions to these sharing institutions for the years ended June 30, 2022 and 2021, were as follows:

Charitable Institutions			
Beneficiaries	Factor	2022 Distribution	2021 Distribution
Idaho State University Fund	8/30	\$ 1,647,733	\$ 1,597,760
State Juvenile Corrections Institutions	8/30	1,647,733	1,597,760
School for the Deaf and Blind Fund	1/30	205,967	199,720
Veterans Home Fund	5/30	1,029,833	998,600
State Hospital North Fund	8/30	1,647,734	1,597,760
Total		<u>\$ 6,179,000</u>	<u>\$ 5,991,600</u>

Pursuant to Idaho Code Section 33-3301B, the Normal School Endowment Fund Income is distributed to the two institutions shown below. Distributions to these sharing institutions for the years ended June 30, 2022 and 2021:

Normal School			
Beneficiaries	%	2022 Distribution	2021 Distribution
Idaho State University, Pocatello	50%	\$ 2,743,750	\$ 2,667,000
Lewis-Clark State College, Lewiston	50%	2,743,750	2,667,000
Total		<u>\$ 5,487,500</u>	<u>\$ 5,334,000</u>

NOTE 7 – CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICT BONDS

On July 1, 2002, the State of Idaho’s Credit Enhancement Program for school district bonds became effective. This program, in accordance with Idaho Code Section 57-728 and in conjunction with Idaho Code Chapter 53, Title 33, currently requires the Public School Endowment Fund to purchase up to \$300 million in notes of the State of Idaho that are issued to avoid the default of a voter-approved school district bond that has been guaranteed by the program.

The capacity of the School Bond Credit Enhancement Program to guaranty payments on general obligation school bonds is \$300 million and the bond principal that can be guaranteed is \$1.2 billion. The maximum available to any one district for bond principal is \$40 million.

As of June 30, 2022, \$596.5 million of bonds guaranteed by the Credit Enhancement Program remained outstanding. Expected principal and interest payments in the coming year total \$71.9 million. As of June 30, 2021, \$608.1 million of bonds guaranteed by the Credit Enhancement Program remained outstanding.

The Public School Endowment Fund would only be required to loan monies to the State to make payments on school bonds after several other potential funding sources have been exhausted. If a school district

does not make timely prepayment of debt service on guaranteed bonds, the State Treasurer is required to make the payment, if possible, by intercepting monies due to that school district from the State, including General Fund payments and distributions from the Public School Endowment Fund. If these funds are not sufficient to meet the debt service payment, the State Treasurer is required to utilize any available funds from the state sales tax account. If all these sources prove insufficient to make the payment, the Treasurer may borrow the remaining amount from the Public School Endowment Fund, at a rate of 400 basis points above one-year Treasury Bills. This loan from the Endowment Fund would be repaid by the intercept of future state funds due to the school district and other sources.

Since July 2009, the EFIB has charged an application fee to offset administrative costs and a guaranty fee that is deposited in the Public School Endowment Fund for providing the ongoing credit enhancement. Application fees for fiscal year 2022 totaled \$1,000 and guaranty fees, included in Income from Investments, totaled \$15,335. Application fees for fiscal year 2021 totaled \$3,000 and guaranty fees, included in Income from Investments, totaled \$17,326.

NOTE 8 – BUDGETARY COMPARISON

Budgets are adopted on a cash basis for the Endowment Fund. The budget for administrative expenses (personnel, operating and capital outlay) from the Earnings Reserve Funds is approved by the legislature on an annual basis. Expenses for consulting fees, bank custodial fees, and portfolio-related external costs are continually appropriated by the Idaho Legislature on an annual basis. The EFIB is not required by law to adopt or publish an overall budget for operations.

NOTE 9 – MISCELLANEOUS REVENUE

By law, certain miscellaneous State revenue is required to be deposited in the Public School Permanent Fund:

- Unclaimed estates, dividends and stock certificates from Idaho corporations (Idaho Constitution Section 4 Article IX)
- Five percent of federal land sales, net of sale expenses (Section 7 of the Idaho Admission Bill)
- Anonymous political contributions in excess of \$50 (Idaho Code Section 67-6610)
- Unqualified election expenses of political parties paid from state income tax funds (Idaho Code Section 34-2505)
- Royalties arising from extraction of minerals from navigable waterways (Idaho Code Section 58-104)

In fiscal year 2022, the Public School Permanent Fund received \$45,052 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2022, the Public School Permanent Fund received \$2,271 from 13 anonymous political contributions over \$50.

In fiscal year 2021, the Public School Permanent Fund received \$104,060 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2021, the Public School Permanent Fund received \$150 representing a donation, and \$52,496 from 2 unclaimed estate properties.

These miscellaneous revenues are included in Receipts from the Department of Lands.

The Capitol Maintenance Reserve Fund receives a portion of the additional fees charged for the special Idaho Capitol vehicle license plate (Idaho Code Section 49-420A). In fiscal 2022 and 2021, this revenue totaled \$182,895 and \$136,502, respectively and is included in Receipts from Department of Lands.

NOTE 10 – PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The EFIB contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the PERSI Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost

of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2022 and 2021, the rate was 7.16% for employees and 11.94% for employer contribution rate. The employer contribution rate is set by the Retirement Board and was of covered compensation. The EFIB’s contributions were \$52,556 and \$48,782, for the fiscal years ended June 30, 2022 and 2021, respectively.

The EFIB portion of the net pension liability was calculated and determined to be immaterial to the financial statements and the EFIB has no legal obligation to fund this shortfall. The EFIB has determined to not include the net pension liability and associated deferred inflow and outflow of resources on its financial statements. The EFIB’s proportionate share of the net pension liability can be found on the PERSI website.

NOTE 11 – LEASES

The EFIB implemented GASB Statement No. 87 in FY2021 – Leases for FY2022 and FY2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. These amounts are disclosed in the Governmental Balance Sheets and Statements of Net Position – Governmental Activities, which are offset and noted that these are payable in a modified accrual basis. The EFIB entered into a 10 year lease for office space effective 7/1/2014 and expires on 6/30/2024. The current net present value of that lease is \$38,333. This amount is based on a 3% discount rate over the life of the lease. For FY2022 and FY2021, the principal paid was \$38,334, and \$38,334, and the interest paid was \$10,226, and \$8,812, respectively.

Year Ending	Principle	Interest	
6/30	Payments	Payments	Total
2023	38,333	11,683	50,016
	<u>38,333</u>	<u>11,683</u>	<u>50,016</u>

NOTE 12 – LAND BANK

The Land Bank Fund was established under Idaho Code Section 58-133 to allow the State Board of Land Commissioners to hold proceeds from the sale of state endowment land pending the purchase of other Idaho land for the benefit of the beneficiaries of that endowment. These proceeds may be held for a period not to exceed five years from the effective date of the sale. Funds in the Land Bank are invested in the State Treasurer’s Idle Pool and any investment earnings are added to the original proceeds. Land Bank Fund assets are not included in the balances of the Endowment Funds since they are being held primarily for purchase of land that will be managed by IDL. The authority to acquire land using Land Bank assets rests with the State Board of Land Commissioners.

As of June 30, 2022 and 2021, the Land Bank Fund balances were \$105.5 million and \$111.4 million, respectively. During fiscal year 2022, \$47.1 million was transferred out of the fund to the Permanent Funds in the endowment by direction of the Land Board. The Land Bank balances by endowment, as of June 30, 2022 were as follows:

FY Quarter Received	Land Bank As of June 30, 2022					Total	FY Quarter Expires
	Public School	Agriculture College	Normal School	State Hospital South	University of Idaho		
2019-01	-	-	2,428,000	1,442,000	-	3,870,000	2024-01
2019-02	25,136,124	-	-	-	-	25,136,124	2024-02
2019-03	-	-	-	-	-	-	2024-03
2019-04	-	-	-	-	-	-	2024-04
2020-01	-	-	2,582,500	1,670,000	-	4,252,500	2025-01
2020-02	12,793,400	-	-	-	-	12,793,400	2025-02
2020-03	866,000	-	-	-	-	866,000	2025-03
2020-04	52,134	-	-	-	-	52,134	2025-04
2021-01	5,159,720	-	-	-	-	5,159,720	2026-01
2021-02	6,595,000	-	-	-	-	6,595,000	2026-02
2021-03	-	-	-	-	-	-	2026-03
2021-04	-	-	-	-	-	-	2026-04
2022-01	1,500,720	-	-	-	-	1,500,720	2026-01
2022-02	10,140,720	23,250,000	-	-	-	33,390,720	2027-02
2022-03	9,890,500	-	-	-	-	9,890,500	2027-03
2022-04	-	-	-	-	-	-	2027-04
Total Principal Remaining	72,134,318	23,250,000	5,010,500	3,112,000	-	103,506,818	
Interest	1,262,283	46,190	343,291	300,887	4,132	1,956,783	
Land Bank Cash Balance with Interest	\$ 73,396,601	\$ 23,296,190	\$ 5,353,791	\$ 3,412,887	\$ 4,132	\$ 105,463,601	

These balances relate to land sales made in fiscal years 2019, 2020, 2021 and 2022. If by the end of the fifth year, the proceeds from a land sale have not been spent or encumbered to purchase other land within the State, the proceeds are deposited in the Permanent Fund along with accumulated investment earnings.

NOTE 13 - INVESTMENTS MEASURED AT FAIR VALUE

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement. There were no Level 3 assets to report.

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Investments Measured at Fair Value
Investments by Fair Value Level

	Total Investments	Fair Value Measurements Using 6/30/2022 (value before accruals)		
		Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset Backed Securities	\$ 23,883,220	\$ -	\$ 23,883,220	\$ -
Bank Loans	633,345	-	633,345	-
Commercial Mortgage-Backed	18,433,622	-	18,433,622	-
Corporate Bonds	163,892,260	-	163,892,260	-
Corporate Convertible Bonds	375,208	-	375,208	-
Funds - Corporate Bond	12,912,075	-	12,912,075	-
Funds - Government Agencies	1,675,501	-	1,675,501	-
Funds - Other Fixed Income	39,538,938	-	39,538,938	-
Government Agencies	10,648,643	-	10,648,643	-
Government Bonds	172,126,365	-	172,126,365	-
Government Mortgage Backed Securities	133,243,546	-	133,243,546	-
Gov't-issued Commercial Mortgage-Backe	2,580,893	-	2,580,893	-
Municipal/Provincial Bonds	2,674,869	-	2,674,869	-
Non-Government Backed C.M.O.s	12,975,261	-	12,975,261	-
Total Debt Securities	595,593,746	-	595,593,746	-
Preferred Stock Securities				
Consumer Discretionary	498,222	498,222	-	-
Financials	657,771	657,771	-	-
Materials	78,573	78,573	-	-
Utilities	94,647	94,647	-	-
Total Preferred Stock Securities	1,329,213	1,329,213	-	-
Equity Securities				
Communication Services	111,702,453	111,702,453	-	-
Consumer Discretionary	183,322,812	183,322,812	-	-
Consumer Staples	85,138,963	85,138,963	-	-
Energy	70,386,181	70,386,181	-	-
Financials	204,692,416	204,692,416	-	-
Health Care	268,517,523	268,517,523	-	-
Industrials	211,383,592	211,383,592	-	-
Information Technology	351,508,258	351,508,258	-	-
Materials	79,949,187	79,949,187	-	-
Other	1,185,935	1,185,935	-	-
Real Estate	32,668,488	32,668,488	-	-
Utilities	27,632,951	27,632,951	-	-
Common Stock Fund	79,333,707	79,333,707	-	-
Equity ETFs	526,627	526,627	-	-
Total Equity Securities	1,707,949,093	1,707,949,093	-	-
Derivatives				
Swaps	2,699,149	2,699,149	-	-
Foreign Exchange Contracts	(319,813)	(319,813)	-	-
Options on Futures	(148,611)	(148,611)	-	-
Total Derivatives	2,230,725	2,230,725	-	-
Total Investments by Fair Value Level	\$ 2,307,102,777	\$ 1,711,509,031	\$ 595,593,746	\$ -
Investments Measured at amortized cost				
Money Market Fund	82,630,365			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	333,760,090			
Total Investments	\$ 2,723,493,232			

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	Fair Value Measurements Using 6/30/2021 (value before accruals)			
	Total Investments	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset Backed Securities	\$ 27,654,786	\$ -	\$ 27,654,786	\$ -
Commercial Mortgage-Backed	20,988,422	-	20,988,422	-
Corporate Bonds	181,825,419	-	181,825,419	-
Corporate Convertible Bonds	446,675	-	446,675	-
Funds - Corporate Bond	11,846,050	-	11,846,050	-
Funds - Government Agencies	8,455,481	-	8,455,481	-
Funds - Other Fixed Income	32,758,605	-	32,758,605	-
Government Agencies	13,224,781	-	13,224,781	-
Government Bonds	203,453,725	-	203,453,725	-
Government Mortgage Backed Securities	129,013,314	-	129,013,314	-
Gov't-issued Commercial Mortgage-Backe	3,146,659	-	3,146,659	-
Index Linked Government Bonds	118,513,322	-	118,513,322	-
Municipal/Provincial Bonds	3,235,753	-	3,235,753	-
Non-Government Backed C.M.O.s	11,966,335	-	11,966,335	-
Total Debt Securities	766,529,327	-	766,529,327	-
Preferred Stock Securities				
Consumer Discretionary	1,103,112	1,103,112	-	-
Consumer Staples	702,859	702,859	-	-
Health Care	104,987	104,987	-	-
Total Preferred Stock Securities	1,910,958	1,910,958	-	-
Equity Securities				
Communication Services	175,410,608	175,410,608	-	-
Consumer Discretionary	259,099,514	259,099,514	-	-
Consumer Staples	101,829,684	101,829,684	-	-
Energy	57,583,928	57,583,928	-	-
Financials	245,558,791	245,558,791	-	-
Health Care	290,152,885	290,152,885	-	-
Industrials	278,943,614	278,943,614	-	-
Information Technology	439,060,942	439,060,942	-	-
Materials	95,190,819	95,190,819	-	-
Other	4,043	4,043	-	-
Real Estate	33,193,566	33,193,566	-	-
Utilities	25,104,498	25,104,498	-	-
Common Stock Fund	66,092,255	66,092,255	-	-
Equity ETFs	1,475,455	1,475,455	-	-
Total Equity Securities	2,068,700,602	2,068,700,602	-	-
Derivatives				
Futures Contracts	273,854	273,854	-	-
Exchange Cleared Swaps	1,122,304	1,122,304	-	-
Swaps	2,977	2,977	-	-
Foreign Exchange Contracts	401,480	401,480	-	-
Total Derivatives	1,800,615	1,800,615	-	-
Total Investments by Fair Value Level	\$ 2,838,941,502	\$ 2,072,412,175	\$ 766,529,327	\$ -
Investments Measured at amortized cost				
Money Market Fund	76,332,179			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	202,396,301			
Total Investments	\$ 3,117,669,982			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is described below.

NET ASSET VALUE (NAV)

Real estate investment fund - This type includes two real estate funds; UBS TPI and DB RAR II invest primarily in U.S. commercial real estate. Net Asset Value (NAV) is determined in accordance with accounting principles generally accepted in the United States, NCREIF Real Estate Information Standards, and market-based accounting rules where appropriate and applicable. Net Asset Value (NAV) is based on the fund's gross asset value less the value of any debt or other outstanding liabilities, whether held directly or indirectly through another entity or entities, anticipated distributions and similar items, as determined by the Advisor at its discretion.

Investments Measured at the NAV for 2022 and 2021:

Investments Measured at the NAV 6/30/2022				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 45,122,987	-	Quarterly	60 Days
CBRE	105,169,663		Quarterly	60 Days
DB RAR II	<u>183,467,440</u>	7,076,934	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 333,760,090</u>			

Investments Measured at the NAV for 2021:

Investments Measured at the NAV 6/30/2021				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 98,485,369	-	Quarterly	60 Days
DB RAR II	<u>103,910,932</u>	47,167,854	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 202,396,301</u>			

NOTE 14 - COMMITMENTS

For endowments other than the Capitol Funds, the Board of Land Commissioners has approved, and the legislature has appropriated, the following distributions to beneficiaries for FY 2023.

	FY 2023
Public School	\$ 61,532,200
Agricultural College	1,927,500
Charitable Institutions	7,008,000
Normal School	6,568,700
Penitentiary	3,139,600
School of Science	6,672,700
State Hospital South	7,586,400
University of Idaho	5,879,900
Total	<u>\$ 100,315,000</u>

The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. For fiscal year 2023, the EFIB authorized a regular distribution of \$1,637,400 based on approximately 5% of the Capitol Permanent Fund balance.

NOTE 15 - SUBSEQUENT EVENTS

On August 16, 2022, the Board of Land Commissioners approved beneficiary distributions for fiscal year 2024. Fiscal year 2024 beneficiary distributions have not yet been appropriated by the legislature and will be considered by the legislature in its 2023 session.

<u>Beneficiaries</u>	<i>Distributions Proposed</i> FY 2024
Public School	\$ 61,532,200
Agricultural College	1,927,500
Charitable Institutions	7,008,000
Normal School	6,568,700
Penitentiary	3,139,600
School of Science	6,672,700
State Hospital South	7,586,400
University of Idaho	5,879,900
Total	<u>\$ 100,315,000</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Endowment Fund Investment Board
State of Idaho Endowment Funds
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the State of Idaho Endowment Funds administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the State of Idaho Endowment Funds' basic financial statements, and have issued our report thereon dated August 17, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Idaho Endowment Funds' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of State of Idaho Endowment Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of State of Idaho Endowment Funds' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Idaho Endowment Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
August 17, 2022



IDAHO ENDOWMENT FUND

INVESTMENT BOARD

IDAHO DEPARTMENT OF LANDS

Supplementary Schedules

STATE OF IDAHO ENDOWMENT FUND
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 1,172,538,806	\$ 36,597,193	\$ 131,029,575	\$ 130,530,070
Program Revenues:				
Receipts from Dept. of Lands	34,573,278	-	16,093	6,461,533
Income from Investments	(191,933,490)	(6,288,408)	(22,378,011)	(22,037,614)
Total Program Revenue	(157,360,212)	(6,288,408)	(22,361,918)	(15,576,080)
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	277,103,000	10,885,000	38,014,000	34,934,000
Increase in Net Position	119,742,788	4,596,592	15,652,082	19,357,920
Permanent Net Position, end of year	1,292,281,595	41,193,785	146,681,656	149,887,990
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	707,828,757	24,377,043	87,070,001	80,914,506
Program Revenues:				
Receipts from Dept. of Lands	54,415,771	1,372,298	4,522,944	11,043,162
Income from Investments	(47,111,890)	(1,371,875)	(4,911,390)	(5,452,400)
Total Program Revenues	7,303,880	422	(388,446)	5,590,762
Program Expenses:				
Distribution for Expenses-Lands	19,403,518	347,567	1,804,640	1,255,923
Distribution for Expenses-EFIB	7,715,522	247,538	881,894	875,675
Distributions to Beneficiaries	54,798,000	1,660,000	6,179,000	5,487,500
Total Program Expenses	81,917,040	2,255,105	8,865,534	7,619,098
Net Program Revenue	(74,613,160)	(2,254,683)	(9,253,980)	(2,028,337)
Transfer to Permanent Fund	(277,103,000)	(10,885,000)	(38,014,000)	(34,934,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	(351,716,160)	(13,139,683)	(47,267,980)	(36,962,337)
Earnings Reserve Net Position, end of year	356,112,597	11,237,360	39,802,020	43,952,169
TOTAL NET POSITION	\$ 1,648,394,192	\$ 52,431,145	\$ 186,483,677	\$ 193,840,159

STATE OF IDAHO ENDOWMENT FUND
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 56,927,628	\$ 122,699,280	\$ 107,805,710	\$ 108,477,912	\$ 42,473,319	\$ 1,909,079,493
701	46,686	6,540,715	5,970,599	188,043	53,797,649
(10,371,328)	(21,553,783)	(18,373,160)	(19,106,514)	(5,229,642)	(317,271,949)
(10,370,627)	(21,507,097)	(11,832,445)	(13,135,915)	(5,041,599)	(263,474,300)
-	-	-	-	(1,637,400)	(1,637,400)
20,980,000	39,675,000	29,764,000	35,054,000	-	486,409,000
10,609,373	18,167,903	17,931,555	21,918,085	(6,678,999)	221,297,300
67,537,001	140,867,184	125,737,265	130,395,997	35,794,320	2,130,376,793
42,957,060	86,383,914	82,868,448	76,213,528	10,149,810	1,198,763,067
2,533,952	3,546,733	1,632,314	4,655,845	182,895	83,905,914
(2,253,197)	(4,486,890)	(5,326,994)	(4,075,667)	(1,402,876)	(76,393,180)
280,755	(940,157)	(3,694,680)	580,178	(1,219,981)	7,512,734
727,610	1,468,344	1,230,619	965,448	205,160	27,408,829
406,541	842,579	774,654	750,134	213,323	12,707,860
2,689,500	5,735,500	6,425,000	5,102,000	125,000	88,201,500
3,823,651	8,046,423	8,430,273	6,817,582	543,483	128,318,189
(3,542,896)	(8,986,579)	(12,124,953)	(6,237,404)	(1,763,463)	(120,805,455)
(20,980,000)	(39,675,000)	(29,764,000)	(35,054,000)	-	(486,409,000)
-	-	-	-	1,637,400	1,637,400
(24,522,896)	(48,661,579)	(41,888,953)	(41,291,404)	(126,063)	(605,577,055)
18,434,164	37,722,335	40,979,495	34,922,124	10,023,747	593,186,012
\$ 85,971,165	\$ 178,589,519	\$ 166,716,761	\$ 165,318,121	\$ 45,818,067	\$ 2,723,562,805

STATE OF IDAHO ENDOWMENT FUND
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 1,124,833,127	\$ 32,832,571	\$ 125,271,671	\$ 115,199,821
Program Revenues:				
Receipts from Dept. of Lands	10,264,378	3,914	47,525	12,677,693
Income from Investments	25,890,301	755,708	2,883,379	2,651,556
Total Program Revenue	36,154,680	759,622	2,930,904	15,329,249
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	11,551,000	3,005,000	2,827,000	1,000
Increase in Net Position	47,705,680	3,764,622	5,757,904	15,330,249
Permanent Net Position, end of year	1,172,538,806	36,597,193	131,029,575	130,530,070
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	340,339,241	14,624,757	46,079,826	38,414,004
Program Revenues:				
Receipts from Dept. of Lands	50,180,207	1,568,063	4,623,857	4,078,958
Income from Investments	408,086,906	13,309,641	47,451,632	45,878,177
Total Program Revenues	458,267,113	14,877,704	52,075,488	49,957,135
Program Expenses:				
Distribution for Expenses-Lands	19,266,537	331,038	1,411,975	1,346,688
Distribution for Expenses-EFIB	7,373,660	237,780	854,738	774,946
Distributions to Beneficiaries	52,586,400	1,551,600	5,991,600	5,334,000
Total Program Expenses	79,226,597	2,120,418	8,258,313	7,455,634
Net Program Revenue	379,040,516	12,757,286	43,817,175	42,501,501
Transfer to Permanent Fund	(11,551,000)	(3,005,000)	(2,827,000)	(1,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	367,489,516	9,752,286	40,990,175	42,500,501
Earnings Reserve Net Position, end of year	707,828,757	24,377,043	87,070,001	80,914,505
TOTAL NET POSITION	\$ 1,880,367,563	\$ 60,974,236	\$ 218,099,576	\$ 211,444,575

STATE OF IDAHO ENDOWMENT FUND
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 55,636,442	\$ 119,882,355	\$ 94,508,877	\$ 104,759,964	\$ 34,026,440	\$ 1,806,951,268
7,601	54,591	11,119,521	13,666	212,166	34,401,055
1,280,585	2,759,334	2,175,312	2,411,282	9,796,613	50,604,070
1,288,186	2,813,925	13,294,833	2,424,948	10,008,779	85,005,125
-	-	-	-	(1,561,900)	(1,561,900)
3,000	3,000	2,000	1,293,000	-	18,685,000
1,291,186	2,816,925	13,296,833	3,717,948	8,446,879	102,128,225
56,927,628	122,699,280	107,805,710	108,477,912	42,473,319	1,909,079,493
18,829,349	40,151,063	44,977,025	37,006,577	8,909,285	589,331,126
5,965,711	8,393,196	4,680,509	6,844,852	136,502	86,471,855
21,720,895	45,419,181	41,618,983	40,150,650	2,367,251	666,003,316
27,686,606	53,812,378	46,299,492	46,995,502	2,503,753	752,475,171
675,591	1,352,070	1,331,034	1,018,602	162,013	26,895,548
379,504	804,056	705,435	710,548	213,115	12,053,782
2,500,800	5,420,400	6,369,600	4,766,400	2,450,000	86,970,800
3,555,895	7,576,526	8,406,069	6,495,550	2,825,128	125,920,130
24,130,712	46,235,851	37,893,423	40,499,952	(321,375)	626,555,041
(3,000)	(3,000)	(2,000)	(1,293,000)	-	(18,685,000)
-	-	-	-	1,561,900	1,561,900
24,127,712	46,232,851	37,891,423	39,206,952	1,240,525	609,431,941
42,957,060	86,383,914	82,868,448	76,213,528	10,149,810	1,198,763,067
\$ 99,884,688	\$ 209,083,195	\$ 190,674,158	\$ 184,691,440	\$ 52,623,129	\$ 3,107,842,560

STATE OF IDAHO ENDOWMENT FUNDS
 SCHEDULE OF THE GAIN BENCHMARK
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2021	555,954,750	76,943,194	207,877,000	331,763,862	1,172,538,806
	2022	1,172,538,806	34,573,278	-	84,100,799	1,291,212,883
Agricultural College	2001-2021	14,787,041	62,101	12,643,000	9,105,051	36,597,193
	2022	36,597,193	-	-	2,624,948	39,222,141
Charitable Institutions	2001-2021	54,513,960	397,383	42,134,000	33,984,232	131,029,575
	2022	131,029,575	16,093	-	9,398,147	140,443,815
Normal School	2001-2021	47,258,942	24,810,495	28,656,000	29,804,633	130,530,070
	2022	130,530,070	6,461,533	-	9,362,320	146,353,923
Penitentiary	2001-2021	18,258,289	34,588	26,203,000	12,431,751	56,927,628
	2022	56,927,628	701	-	4,083,156	61,011,485
School of Science	2001-2021	54,836,451	418,547	34,732,000	32,712,282	122,699,280
	2022	122,699,280	46,686	-	8,800,653	131,546,619
State Hospital South	2001-2021	23,442,162	27,532,234	37,197,000	19,634,314	107,805,710
	2022	107,805,710	6,540,715	-	7,732,406	122,078,831
University	2001-2021	42,442,536	297,021	39,170,000	26,568,355	108,477,912
	2022	108,477,912	5,970,599	-	7,780,620	122,229,131

IDAHO DEPARTMENT OF LANDS

STATE OF IDAHO ENDOWMENT FUNDS
 SCHEDULE OF THE GAIN BENCHMARK
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2020	555,954,750	66,678,816	196,326,000	305,873,561	1,124,833,127
	2021	1,124,833,127	10,264,378	11,551,000	25,890,301	1,172,538,806
Agricultural College	2001-2020	14,787,041	58,187	9,638,000	8,349,343	32,832,571
	2021	32,832,571	3,914	3,005,000	755,708	36,597,193
Charitable Institutions	2001-2020	54,513,960	349,859	39,307,000	31,100,852	125,271,671
	2021	125,271,671	47,524	2,827,000	2,883,380	131,029,575
Normal School	2001-2020	47,258,942	12,132,802	28,655,000	27,153,077	115,199,821
	2021	115,199,821	12,677,693	1,000	2,651,556	130,530,070
Penitentiary	2001-2020	18,258,289	26,987	26,200,000	11,151,166	55,636,442
	2021	55,636,442	7,601	3,000	1,280,585	56,927,628
School of Science	2001-2020	54,836,451	363,956	34,729,000	29,952,948	119,882,355
	2021	119,882,355	54,591	3,000	2,759,334	122,699,280
State Hospital South	2001-2020	23,442,162	16,412,713	37,195,000	17,459,002	94,508,877
	2021	94,508,877	11,119,521	2,000	2,175,312	107,805,710
University	2001-2020	42,442,536	283,355	37,877,000	24,157,093	104,759,984
	2021	104,759,984	13,666	1,293,000	2,411,262	108,477,912

INDEPENDENT ACCOUNTANTS' REPORT

Idaho Department of Lands
Boise, Idaho

We have performed the procedures enumerated below, which were agreed to by Idaho Department of Lands, solely to assist you with respect to the allocation procedures for the year ended June 30, 2022.

Management of the Idaho Department of Lands has agreed to and acknowledge that the procedures performed are appropriate to meet the intended purpose of observing the allocation methodology of Idaho Department of Lands. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Procedures

1. Revenues: Obtain IBIS Report 'Endowment Revenue by Beneficiary' and the DAFR 8180 reports and perform the following for the year ended June 30, 2022:
 - a. Agree revenue in total by each of the nine endowments per the IBIS report to the Department of Lands (DOL) Income Statement.
 - b. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology outlined in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2022 for revenues.
 - c. Agree revenues in total for each of the recalculated seven asset classes to the DOL Income Statement.

Findings

1. None noted.

Procedures

2. Project Expense: Obtain IBIS Report 'Income Statement Expense Query – FYE Final' which includes the Support Services, Timber, Lands and Waterways and Residential expenditures and project codes in an excel workbook and perform the following for the year ended June 30, 2022:
 - a. Agree project expenses in total by each of the nine endowments per the above reports to the DOL Income Statement.
 - b. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology included in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2022 for project expenses.
 - c. Agree project expenses in total for each of the recalculated seven asset classes to the DOL Income Statement.

- d. Obtain listing of projects with transactions recorded to project expense during the year ended June 30, 2022 and agree total to project expense on DOL income statement for the year ended June 30, 2022.
 - i. Obtain defined project allocation percentages for each project selected and recalculate recorded allocation to respective endowments.
 - ii. Report any discrepancies

Findings

2. None noted.

Procedures

3. Non-Project Expense: Obtain DAFR 8290 Report and perform the following for the year ended June 30, 2022:
 - a. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology outlined in the “Endowment Lands Income Statement Methodology” Document dated June 30, 2022 for non-project expenses.
 - b. Agree non-project expenses in total for each of the recalculated seven asset classes to the DOL Income Statement.
 - c. Recalculate the allocation of the total non-project expenses by asset class to each of the nine endowments based on the methodology included in the “Endowment Lands Income Statement Methodology” Document dated June 30, 2022 for project expenses.
 - d. Agree non-project expenses by endowment for each of the recalculated nine endowments to the DOL Income Statement.

Findings

3. None noted.

Procedures

4. Overhead: Obtain DAFR 8290 Report and perform the following for the year ended June 30, 2022:
 - a. Agree total overhead per the IBIS report to the DOL Income Statement.
 - b. Recalculate the allocation of the total overhead expenses to each of the nine endowments and each of the seven asset classes based on the methodology included in the “Endowment Lands Income Statement Methodology” Document dated June 30, 2022 for overhead.

Findings

4. None noted.

We were engaged by Idaho Department of Lands to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the allocation procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Idaho Department of Lands and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Idaho Department of Lands and is not intended to be and should not be used by anyone other than this party.

CliftonLarsonAllen LLP

Boise, Idaho
REPORT DATE

IDAHO DEPARTMENT OF LANDS



Thomas J. Wilford :: Chairman
Jerry F. Aldape Irving Littman
Bob Donaldson Richelle A. Sugiyama
Joseph Forney Chuck Winder
Steven C. Harris Brian Yeargain

Chris J. Anton :: Manager of Investments

Monthly Report to the Board of Land Commissioners

Investment performance through October 31, 2022

Month: 4.8% Fiscal year: 0.1%

Global equity markets rebounded following poor performance the prior two months. Initial third quarter corporate earnings are pointing toward solid revenue growth but contracting earnings growth as escalating costs begin to put pressure on profit margins. Job openings increased during September, but the forward-looking Atlanta Wage Growth Tracker points toward a deceleration in wages. U.S. GDP rose 2.6% during the quarter following declines in the previous two quarters. The generally healthy state of the U.S. economy is allowing the Federal Reserve to tighten monetary policy quickly to reduce inflation before it becomes entrenched. Shortly after month-end, the Federal Reserve raised its benchmark federal-funds rate by 0.75% to a range of 3.75% - 4.00% and cautioned that they will likely need to take interest rates higher than previously forecast to lower inflation.

Status of endowment fund reserves

Distributions for FY2022 and FY2023 are well secured.

Significant actions of the Endowment Fund Investment Board

None.

Compliance/legal issues, areas of concern

Material deviations from Investment Policy: None.

Material legal issues: None.

Changes in board membership or agency staffing: None.

Upcoming issues/events

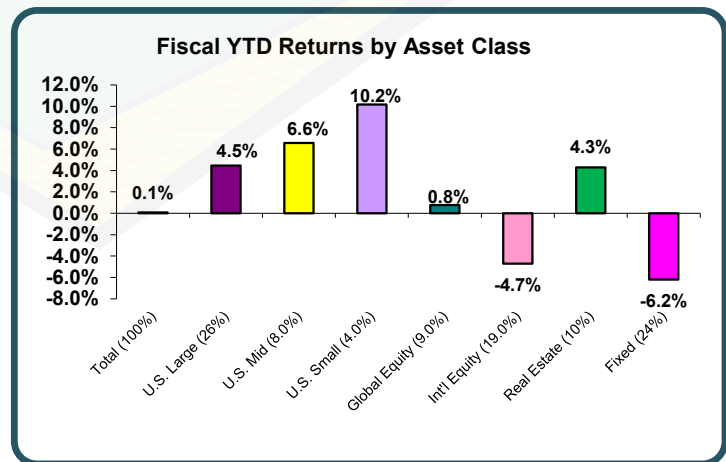
Board Meeting – February 16, 2023

	<u>Month</u>	<u>FYTD</u>
Beginning Value of Fund	2,580,475,515	\$ 2,723,562,805
Distributions to Beneficiaries	(8,359,583)	(33,688,332)
Land Revenue net of IDL Expenses	8,130,164	27,409,864
Change in Market Value net of Investment Mgt. Expenses	124,088,244	(12,949,997)
Current Value of Fund	\$ 2,704,334,340	\$ 2,704,334,340

	<u>Current</u> <u>Month</u>	<u>Calendar</u> <u>Y-T-D</u>	<u>Fiscal</u> <u>Y-T-D</u>	<u>One</u> <u>Year</u>	<u>Three</u> <u>Year</u>	<u>Five</u> <u>Year</u>	<u>Ten</u> <u>Year</u>
Gross Returns							
Total Fund	4.8%	-16.7%	0.1%	-16.0%	5.1%	5.9%	7.8%
<i>Total Fund Benchmark*</i>	3.9%	-16.0%	-1.1%	-14.8%	4.2%	5.1%	7.3%
Total Fixed	-1.4%	-16.3%	-6.2%	-16.1%	-3.5%	-0.3%	0.7%
<i>BBG U.S. Agg. (Ag)</i>	-1.3%	-15.4%	-6.0%	-15.3%	-3.1%	-0.2%	0.8%
Total Equity	8.0%	-20.7%	1.8%	-20.1%	7.6%	7.7%	10.2%
<i>57% R3 29% Ax 14% AC</i>	6.4%	-20.5%	-0.4%	-19.4%	5.8%	6.2%	9.4%
Domestic Equity	9.7%	-17.6%	5.5%	-16.9%	10.3%	9.9%	12.6%
<i>Russell 3000 (R3)</i>	8.2%	-18.4%	3.4%	-16.5%	9.8%	9.9%	12.5%
Global Equity	7.1%	-22.5%	0.8%	-21.4%	7.0%	6.9%	7.5%
<i>MSCI ACWI (AC)</i>	6.0%	-21.1%	-1.2%	-20.0%	4.8%	5.2%	8.0%
Int'l. Equity	5.0%	-25.9%	-4.7%	-25.5%	2.6%	3.5%	5.6%
<i>MSCI ACWI ex-US (Ax)</i>	3.0%	-24.3%	-7.2%	-24.7%	-1.7%	-0.6%	3.3%
Real Estate			4.3%	22.1%	10.7%	9.2%	
<i>NCREIF ODCE Index (OD)</i>			4.5%	28.3%	11.7%	9.6%	

* Benchmark: 38% Russell 3000 19% ACWI ex-US 9% AC 24% BB Agg. 10% OD

	<u>Mkt Value</u>	<u>Allocation</u>
Domestic Equity	\$ 1,049.6	38.8%
Large Cap	705.3	26.1%
Mid Cap	227.4	8.4%
Small Cap	116.8	4.3%
Global Equity	247.4	9.1%
Int'l Equity	501.6	18.5%
Fixed Income	579.8	21.4%
Real Estate	309.2	11.4%
Cash	16.7	0.6%
Total Fund	\$ 2,704.3	100.0%

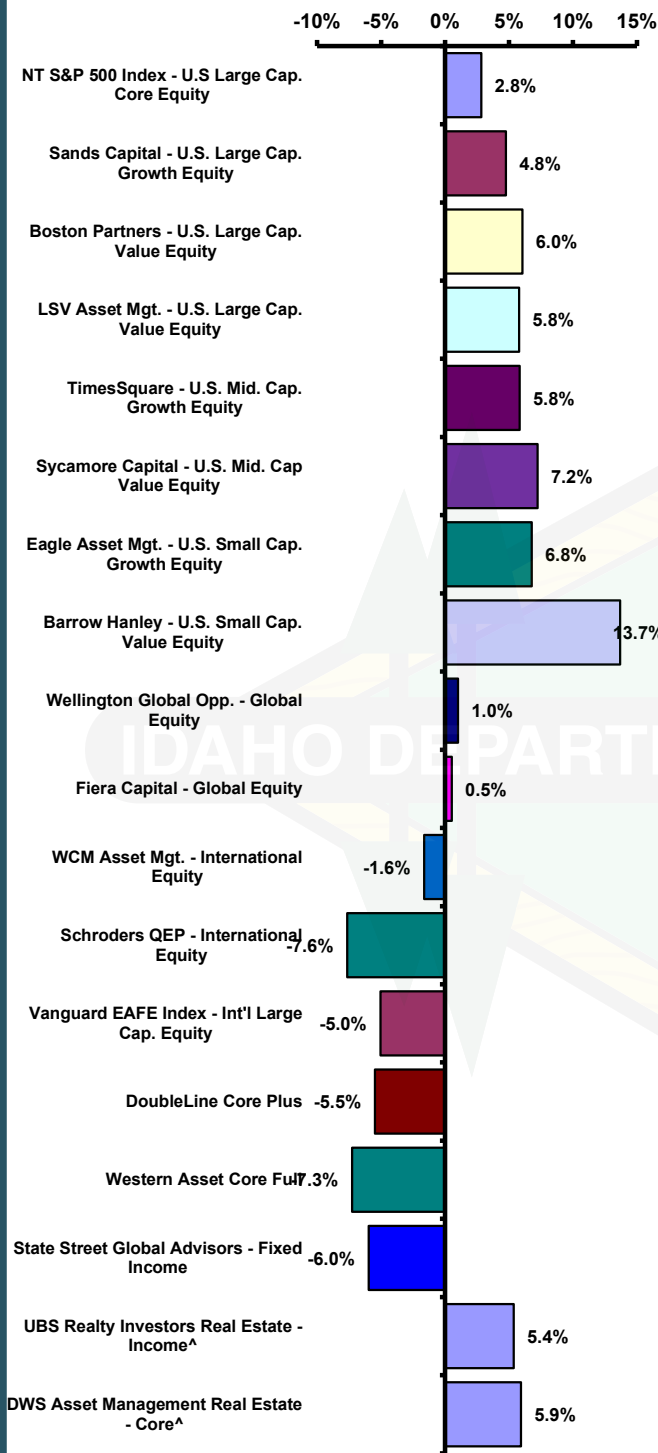


Endowment Fund Staff Comments:

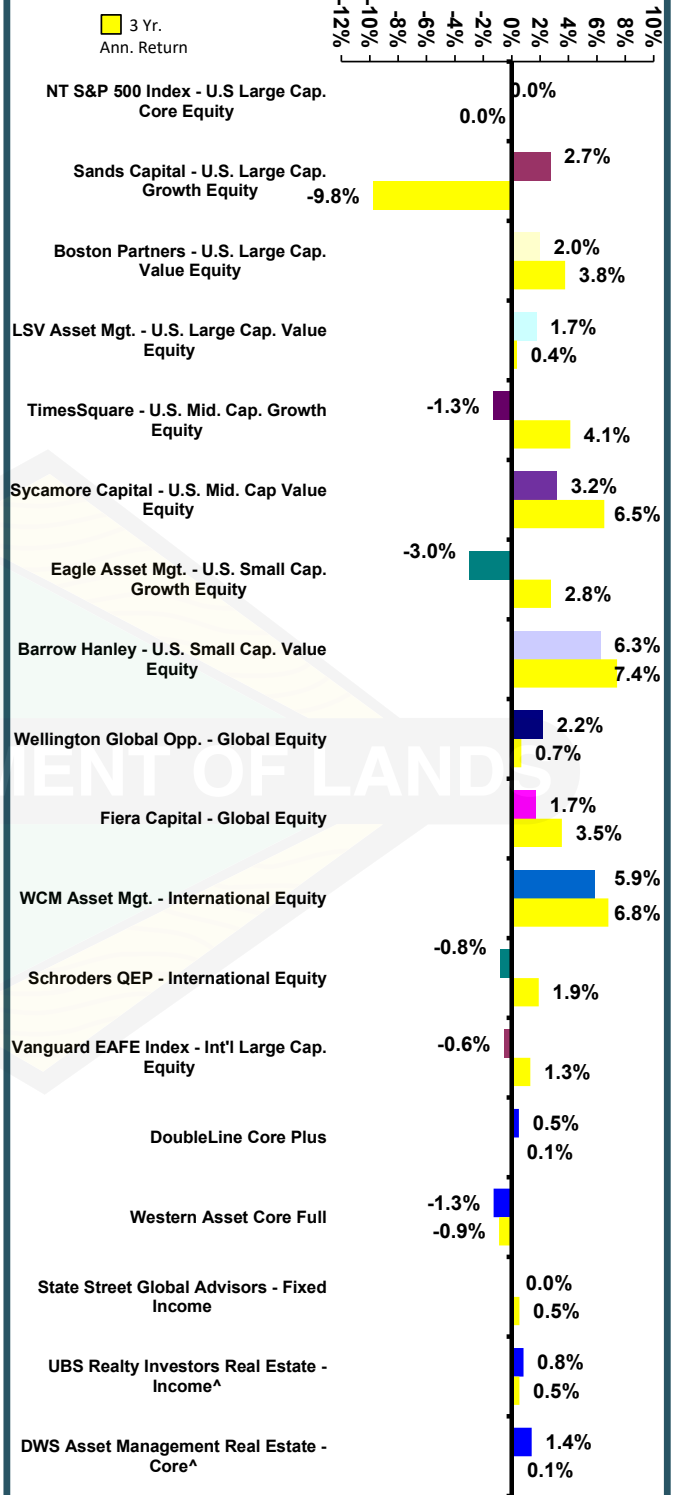
Global equity markets rebounded following poor performance the prior two months. Initial third quarter corporate earnings are pointing toward solid revenue growth but contracting earnings growth as escalating costs begin to put pressure on profit margins. Job openings increased during September, but the forward-looking Atlanta Wage Growth Tracker points toward a deceleration in wages. U.S. GDP rose 2.6% during the quarter following declines in the previous two quarters. The generally healthy state of the U.S. economy is allowing the Federal Reserve to tighten monetary policy quickly to reduce inflation before it becomes entrenched. Shortly after month-end, the Federal Reserve raised its benchmark federal-funds rate by 0.75% to a range of 3.75% - 4.00% and cautioned that they will likely need to take interest rates higher than previously forecast to lower inflation.

INVESTMENT REPORT

FYTD Manager Returns



Manager Relative Returns Fiscal YTD and 3-Yr Ave*



* Most recent valuation.

STATE BOARD OF LAND COMMISSIONERS

November 15, 2022

Subject

Performance Review of Total Endowment

Background

As part of the Asset Allocation and Governance Review in 2014, Callan LLC (Callan) recommended that a total return be calculated for the endowment portfolio by aggregating the market values and cash flows of the financial assets and the land assets.

The revised Statement of Investment Policy adopted by the State Board of Land Commissioners (Land Board) in November 2021 requires that performance reports be generated annually by the General Consultant, Callan, for review by the Land Board.

Discussion

Callan calculated the total return of the financial assets and the land assets for the fiscal year ending June 30, 2022 (Attachment 1). The combined net return was **-0.55%**, below last year's net return of 20.25%. The combined return includes the land asset net return of 28.18% (up from 4.87% in fiscal year 2021) and the financial asset net return of **-13.41%** (down from 29.19% in fiscal year 2021).

Callan also compiled a report of the land returns by asset class for the fiscal year ending June 30, 2022 (Attachment 2).

Attachments

1. Investment Manager Returns
2. Investment Measurement Service Quarterly Review

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended June 30, 2022. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2022

	Last Year	Last 3 Years	Last 7 Years	Last 10 Years	Last 15 Years
EFIB Plan (Net)	(13.41%)	5.41%	6.34%	7.85%	6.14%
EFIB Target	(11.15%)	5.51%	6.49%	7.87%	5.75%
Land (Net)	28.18%	11.67%	7.22%	-	-
Total Plan + Land	(0.55%)	7.65%	6.61%	8.16%	6.47%
CPI + 3.5%	12.56%	8.48%	6.64%	6.09%	5.88%



IDAHO DEPARTMENT OF LANDS

June 30, 2022

Idaho Board of Land Commissioners

**Investment Measurement Service
Quarterly Review**



IDAHO DEPARTMENT OF LANDS

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IDAHO DEPARTMENT OF LANDS



Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2022, with the distribution as of June 30, 2021. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	June 30, 2022		Net New Inv.	Inv. Return	June 30, 2021	
	Market Value	Weight			Market Value	Weight
Farmland	32,853,400	1.81%	(190,105)	1,856,855	31,186,650	2.11%
Commercial Real Estate	36,044,000	1.98%	9,344,211	9,557,967	17,141,822	1.16%
Rangeland	63,385,840	3.49%	(2,907,590)	5,293,430	61,000,000	4.13%
Residential Real Estate	18,762,500	1.03%	(23,899,520)	10,878,020	31,784,000	2.15%
Timberland	1,560,000,000	85.88%	(77,275,561)	414,000,581	1,223,274,980	82.89%
Land Bank	105,463,601	5.81%	(6,375,520)	466,896	111,372,225	7.55%
Total Land Portfolio Assets	\$1,816,509,341	100.0%	\$(101,304,085)	\$442,053,749	\$1,475,759,677	100.0%



IDAHO DEPARTMENT OF LANDS

Cash flows, including market values and management fees, were provided by Idaho Department of Lands using their internal methodology which may be subject to change. The cash flows and categorizations have not been independently verified by Callan for accuracy or consistency with industry standards. Specific dates for each individual cash flow were not provided. To convert the non-specific cash flow information to a format that could be used in performance calculations, Callan assumed all cashflows occurred at mid-quarter to arrive at quarterly performance numbers. Performance figures are calculated using a modified BAI methodology.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended June 30, 2022. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2022

	Fiscal Year	Last 3 Years	Last 5 Years	Last 7 Years
Farmland	5.91%	6.20%	5.82%	5.61%
Farmland (Net)	4.55%	5.24%	4.93%	4.77%
Commercial Real Estate	61.63%	35.16%	28.47%	25.33%
Commercial Real Estate (Net)	58.23%	30.07%	22.69%	19.91%
Rangeland	8.79%	6.31%	5.83%	5.59%
Rangeland (Net)	5.40%	2.79%	2.49%	2.30%
Residential Real Estate	48.55%	24.22%	22.39%	17.18%
Residential Real Estate (Net)	42.73%	19.01%	18.12%	13.80%
Timberland	34.04%	14.85%	11.13%	9.51%
Timberland (Net)	32.04%	12.91%	9.14%	7.53%
Timberland (Net Real Return)	21.13%	7.56%	5.06%	4.26%
Land Bank	0.35%	0.94%	1.34%	1.12%
Land Bank (Net)	0.35%	0.94%	1.18%	1.01%
Total Land excluding - Land Bank	32.62%	14.65%	11.42%	9.76%
Total Land excluding - Land Bank (Net)	30.49%	12.55%	9.30%	7.67%
Total Land Portfolio (Gross)	30.12%	13.58%	10.65%	9.18%
Total Land Portfolio (Net Nominal)	28.18%	11.67%	8.70%	7.22%
Total Land Portfolio (Net Real Return)	17.57%	6.38%	4.64%	3.96%
CPI All Urban Cons	9.06%	4.98%	3.88%	3.14%

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Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended June 30, 2022. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended June 30, 2022

	Fiscal Year			Last 3 Years			Last 5 Years		
	Inc%	App%	Tot%	Inc%	App%	Tot%	Inc%	App%	Tot%
Farmland (Net)	0.29	4.24	4.55	0.67	4.53	5.24	0.78	4.12	4.93
Commercial Real Estate (Net)	3.11	49.64	58.23	2.82	25.42	30.07	2.63	18.96	22.69
Rangeland (Net)	1.40	3.94	5.40	1.47	1.29	2.79	1.70	0.77	2.49
Residential Real Estate (Net)	6.02	34.53	42.73	1.90	16.78	19.01	1.42	16.47	18.12
Timberland (Net)	3.91	27.53	32.04	4.24	8.44	12.91	4.04	4.98	9.14
Total Land excluding - Land Bank (Net)	3.71	26.21	30.49	3.94	8.40	12.55	3.73	5.44	9.30
Total Land Portfolio (Net Nominal)	3.47	24.21	28.18	3.69	7.79	11.67	3.53	5.06	8.70

IDAHO DEPARTMENT OF LANDS



**Total Land Portfolio
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	= End of Period Market
09/2015	1,443,485,863	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,443,836,373
12/2015	1,443,836,373	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,186,883
03/2016	1,444,186,883	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,537,394
06/2016	1,444,537,394	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,887,904
09/2016	1,444,887,904	17,424,042	32,190,512	8,130,079	(0)	24,850,095	16,715,247	1,444,807,037
12/2016	1,444,807,037	18,903,334	15,698,109	7,356,406	1,328,500	8,309,338	18,830,890	1,446,240,346
03/2017	1,446,240,346	22,212,151	19,044,141	5,379,154	3,715,150	13,609,788	22,112,365	1,450,110,481
06/2017	1,450,110,481	2,138,318	8,164,265	7,920,565	1,040,305	2,151,292	25,100	1,451,356,412
09/2017	1,451,356,412	7,987,519	25,025,187	7,148,261	22,668,989	17,852,656	7,770,000	1,474,267,190
12/2017	1,474,267,190	27,995,332	15,811,240	6,762,941	0	8,717,002	27,995,332	1,474,598,487
03/2018	1,474,598,487	8,541,139	22,386,935	5,296,596	5,419,200	16,719,764	8,490,000	1,480,439,401
06/2018	1,480,439,401	78,855	12,198,615	7,934,209	2,245,000	3,737,745	0	1,483,289,917
09/2018	1,483,289,917	4,427,157	27,185,702	7,787,652	1,058,260	19,372,629	3,870,000	1,484,930,755
12/2018	1,484,930,755	67,627,619	27,115,724	7,470,723	635,124	19,508,037	67,586,953	1,485,743,509
03/2019	1,485,743,509	399,277	17,226,842	6,758,073	0	10,504,483	0	1,486,107,072
06/2019	1,486,107,072	6,569,563	5,390,356	7,746,173	0	1,663,268	0	1,488,657,550
09/2019	1,488,657,550	4,738,506	25,378,329	7,305,825	1,520,460	17,889,361	4,252,500	1,490,847,159
12/2019	1,490,847,159	13,148,892	20,454,696	7,201,795	0	12,942,040	12,793,400	1,491,513,512
03/2020	1,491,513,512	1,322,706	20,787,792	5,109,919	0	15,502,537	866,000	1,492,145,554
06/2020	1,492,145,554	82,794	11,608,931	8,195,122	991,000	3,024,439	52,134	1,493,556,584
09/2020	1,493,556,584	9,028,312	26,558,371	7,082,523	2,355,507	19,812,782	5,179,720	1,499,423,749
12/2020	1,499,423,749	6,875,282	19,945,233	6,107,898	1,715,133	13,963,369	6,595,000	1,501,293,130
03/2021	1,501,293,130	41,106	28,748,815	4,917,035	0	23,707,561	0	1,501,458,455
06/2021	1,501,458,455	88,258	12,505,453	7,897,403	5,985,554	4,595,048	31,785,592	1,475,759,677
09/2021	1,475,759,677	2,485,304	27,857,846	7,197,275	344,021,970	21,256,879	5,522,228	1,816,148,415
12/2021	1,816,148,415	56,792,534	24,477,047	7,067,087	0	17,476,725	33,390,720	1,839,483,464
03/2022	1,839,483,464	9,890,500	24,059,044	4,907,504	4,950,000	19,053,723	9,890,500	1,844,531,281
06/2022	1,844,531,281	12,032,292	8,120,964	7,579,676	8,566,878	2,012,286	47,150,112	1,816,509,341
	1,443,485,863	327,781,881	552,032,245	191,594,553	409,568,630	366,939,843	357,824,882	1,816,509,341

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**Farmland
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Distri- butions	=	End of Period Market
09/2015	22,300,000		0		120,774		42,052		337,900		78,722		22,637,900
12/2015	22,637,900		0		120,774		42,052		337,900		78,722		22,975,800
03/2016	22,975,800		0		120,774		42,052		337,900		78,722		23,313,700
06/2016	23,313,700		0		120,774		42,052		337,900		78,722		23,651,600
09/2016	23,651,600		33,835		250		34,085		0		0		23,651,600
12/2016	23,651,600		0		317,855		156,334		0		161,521		23,651,600
03/2017	23,651,600		0		95,266		(86,168)		0		181,434		23,651,600
06/2017	23,651,600		1,815		45,299		47,114		0		0		23,651,600
09/2017	23,651,600		26,045		2,000		28,045		1,013,640		0		24,665,240
12/2017	24,665,240		0		184,432		24,082		0		160,350		24,665,240
03/2018	24,665,240		0		193,527		36,305		0		157,222		24,665,240
06/2018	24,665,240		68,355		45,637		113,992		0		0		24,665,240
09/2018	24,665,240		28,429		3,783		32,212		675,760		0		25,341,000
12/2018	25,341,000		0		268,519		29,938		0		238,581		25,341,000
03/2019	25,341,000		0		92,268		38,806		0		53,462		25,341,000
06/2019	25,341,000		17,078		46,317		63,395		0		0		25,341,000
09/2019	25,341,000		6,818		23,432		30,250		1,520,460		0		26,861,460
12/2019	26,861,460		0		260,698		53,276		0		207,422		26,861,460
03/2020	26,861,460		0		74,463		33,249		0		41,214		26,861,460
06/2020	26,861,460		30,660		48,115		78,775		0		0		26,861,460
09/2020	26,861,460		3,345,981		8,814		43,245		1,013,640		0		31,186,650
12/2020	31,186,650		0		355,491		49,798		0		305,693		31,186,650
03/2021	31,186,650		0		118,050		45,133		0		72,917		31,186,650
06/2021	31,186,650		47,152		37,619		84,771		0		0		31,186,650
09/2021	31,186,650		433,443		4,391		107,594		1,336,510		0		32,853,400
12/2021	32,853,400		0		298,669		57,172		0		241,497		32,853,400
03/2022	32,853,400		0		196,798		127,877		0		68,921		32,853,400
06/2022	32,853,400		107,350		20,487		127,837		0		0		32,853,400
	22,300,000		4,146,961		3,225,277		1,525,326		6,911,610		2,205,122		32,853,400

Cash flows, including market values and management fees, were provided by Idaho Department of Lands using their internal methodology which may be subject to change. The cash flow and categorizations have not been independently verified by Callan for accuracy or consistency with industry standards. Specific dates for each individual cash flow were not provided. To convert the non-specific cash flow information to a format that could be used in performance calculations, Callan assumed all cashflows occurred at mid-quarter to arrive at quarterly performance numbers. Performance figures are calculated using a modified BAI methodology.

**Commercial Real Estate
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	=	End of Period Market
09/2015	31,502,435	0	599,175	305,676	0	293,500	0		31,502,435
12/2015	31,502,435	0	599,175	305,676	0	293,500	0		31,502,435
03/2016	31,502,435	0	599,175	305,676	0	293,500	0		31,502,435
06/2016	31,502,435	0	599,175	305,676	0	293,500	0		31,502,435
09/2016	31,502,435	0	1,299,490	635,627	0	663,863	0		31,502,435
12/2016	31,502,435	69,844	344,145	413,989	0	0	0		31,502,435
03/2017	31,502,435	0	422,777	339,925	3,715,150	82,852	17,265,000		17,952,585
06/2017	17,952,585	0	340,718	(42,035)	1,040,305	382,753	0		18,992,890
09/2017	18,992,890	0	316,491	256,468	(140,000)	60,023	0		18,852,890
12/2017	18,852,890	0	670,074	391,642	0	278,432	0		18,852,890
03/2018	18,852,890	51,139	174,715	225,854	0	0	8,490,000		10,362,890
06/2018	10,362,890	0	198,210	122,475	2,245,000	0	0		12,683,625
09/2018	12,683,625	0	547,489	123,176	0	424,313	0		12,683,625
12/2018	12,683,625	40,666	201,040	241,706	0	0	0		12,683,625
03/2019	12,683,625	78,448	136,408	214,856	0	0	0		12,683,625
06/2019	12,683,625	1,878,697	130,604	122,115	0	8,489	0		14,562,322
09/2019	14,562,322	0	235,904	149,796	0	86,108	1,560,500		13,001,822
12/2019	13,001,822	0	487,229	135,221	0	352,008	0		13,001,822
03/2020	13,001,822	0	140,558	102,366	0	38,192	0		13,001,822
06/2020	13,001,822	0	197,913	188,332	95,000	9,581	0		13,096,822
09/2020	13,096,822	0	529,153	181,024	0	348,129	0		13,096,822
12/2020	13,096,822	46,099	99,243	145,342	0	0	0		13,096,822
03/2021	13,096,822	41,106	141,946	183,052	0	0	0		13,096,822
06/2021	13,096,822	41,106	141,946	183,052	4,045,000	0	0		17,141,822
09/2021	17,141,822	0	647,070	106,949	0	540,121	0		17,141,822
12/2021	17,141,822	0	1,265,096	60,610	0	1,204,486	0		17,141,822
03/2022	17,141,822	0	212,663	112,749	0	99,914	0		17,141,822
06/2022	17,141,822	11,573,820	(1,133,740)	104,780	8,566,878	0	0		36,044,000
	31,502,435	13,820,925	10,143,843	5,921,774	19,567,333	5,753,262	27,315,500		36,044,000

Cash flows, including market values and management fees, were provided by Idaho Department of Lands using their internal methodology which may be subject to change. The cash flow and categorizations have not been independently verified by Callan for accuracy or consistency with industry standards. Specific dates for each individual cash flow were not provided. To convert the non-specific cash flow information to a format that could be used in performance calculations, Callan assumed all cashflows occurred at mid-quarter to arrive at quarterly performance numbers. Performance figures are calculated using a modified BAI methodology.

**Rangeland
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	=	End of Period Market
09/2015	61,000,000	0	742,508	439,390	0	303,118	0	61,000,000	
12/2015	61,000,000	0	742,508	439,390	0	303,118	0	61,000,000	
03/2016	61,000,000	0	742,508	439,390	0	303,118	0	61,000,000	
06/2016	61,000,000	0	742,508	439,390	0	303,118	0	61,000,000	
09/2016	61,000,000	418,712	15,744	434,456	0	0	0	61,000,000	
12/2016	61,000,000	0	651,041	417,971	0	233,070	0	61,000,000	
03/2017	61,000,000	99,786	366,069	465,855	0	0	0	61,000,000	
06/2017	61,000,000	0	1,943,241	668,142	0	1,275,099	0	61,000,000	
09/2017	61,000,000	0	298,769	285,833	0	12,936	0	61,000,000	
12/2017	61,000,000	0	388,362	375,616	0	12,746	0	61,000,000	
03/2018	61,000,000	0	495,725	347,673	0	148,052	0	61,000,000	
06/2018	61,000,000	0	1,761,042	618,366	0	1,142,676	0	61,000,000	
09/2018	61,000,000	199,366	237,272	436,638	0	0	0	61,000,000	
12/2018	61,000,000	0	635,741	533,906	0	101,835	0	61,000,000	
03/2019	61,000,000	0	510,128	507,905	0	2,223	0	61,000,000	
06/2019	61,000,000	0	1,780,339	527,962	0	1,252,377	0	61,000,000	
09/2019	61,000,000	0	640,720	407,518	0	233,202	0	61,000,000	
12/2019	61,000,000	355,492	146,409	501,901	0	0	0	61,000,000	
03/2020	61,000,000	0	915,943	368,220	0	547,723	0	61,000,000	
06/2020	61,000,000	0	1,561,026	834,043	0	726,983	0	61,000,000	
09/2020	61,000,000	254,602	246,869	501,471	0	0	0	61,000,000	
12/2020	61,000,000	234,183	386,704	620,887	0	0	0	61,000,000	
03/2021	61,000,000	0	776,352	457,148	0	319,204	0	61,000,000	
06/2021	61,000,000	0	1,404,069	544,811	0	859,258	0	61,000,000	
09/2021	61,000,000	140,822	328,488	469,310	2,400,000	0	0	63,400,000	
12/2021	63,400,000	151,814	329,645	481,459	0	0	0	63,400,000	
03/2022	63,400,000	0	748,455	379,517	0	368,938	0	63,400,000	
06/2022	63,400,000	0	1,486,842	669,986	0	816,856	14,160	63,385,840	
	61,000,000	1,854,777	21,025,028	13,614,156	2,400,000	9,265,649	14,160	63,385,840	

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**Residential Real Estate
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	= End of Period Market
09/2015	149,700,000	0	1,313,522	497,503	(0)	816,019	6,737,772	142,962,228
12/2015	142,962,228	0	1,313,522	497,503	0	816,019	6,737,772	136,224,456
03/2016	136,224,456	0	1,313,522	497,503	(0)	816,019	6,737,772	129,486,683
06/2016	129,486,683	0	1,313,522	497,503	0	816,019	6,737,772	122,748,911
09/2016	122,748,911	381,271	(180,856)	200,415	0	0	16,590,224	106,158,687
12/2016	106,158,687	0	2,567,931	520,013	1,328,500	2,047,918	16,327,104	91,160,083
03/2017	91,160,083	0	1,067,980	278,000	0	789,980	527,000	90,633,083
06/2017	90,633,083	0	733,100	239,660	0	493,440	25,100	90,607,983
09/2017	90,607,983	191,474	215,266	406,740	21,795,349	0	7,770,000	104,633,332
12/2017	104,633,332	0	1,377,513	479,530	0	897,983	27,995,332	76,638,000
03/2018	76,638,000	0	780,233	332,140	5,419,200	448,093	0	82,057,200
06/2018	82,057,200	0	585,635	499,043	0	86,592	0	82,057,200
09/2018	82,057,200	329,362	249,555	578,917	382,500	0	3,870,000	78,569,700
12/2018	78,569,700	0	756,605	543,893	635,124	212,712	25,136,124	54,068,700
03/2019	54,068,700	320,829	529,033	849,862	0	0	0	54,068,700
06/2019	54,068,700	0	443,413	41,011	0	402,402	0	54,068,700
09/2019	54,068,700	479,188	(3,659)	475,529	0	0	2,692,000	51,376,700
12/2019	51,376,700	0	1,011,713	450,284	0	561,429	12,793,400	38,583,300
03/2020	38,583,300	457,506	385,625	843,131	0	0	866,000	37,717,300
06/2020	37,717,300	0	425,416	358,076	896,000	67,340	52,134	38,561,166
09/2020	38,561,166	268,009	101,300	369,309	1,341,867	0	5,179,720	34,723,313
12/2020	34,723,313	0	854,422	432,045	1,715,133	422,377	6,595,000	29,843,446
03/2021	29,843,446	0	286,337	271,448	0	14,889	0	29,843,446
06/2021	29,843,446	0	286,337	271,448	1,940,554	14,889	0	31,784,000
09/2021	31,784,000	410,319	(5,357)	404,962	3,560,440	0	1,500,720	33,843,720
12/2021	33,843,720	23,250,000	617,713	316,799	0	300,914	33,390,720	23,703,000
03/2022	23,703,000	0	328,088	244,143	4,950,000	83,945	9,890,500	18,762,500
06/2022	18,762,500	0	1,427,136	231,706	0	1,195,430	0	18,762,500
	149,700,000	26,087,958	20,094,566	11,628,115	43,964,667	11,304,409	198,152,167	18,762,500

Cash flows, including market values and management fees, were provided by Idaho Department of Lands using their internal methodology which may be subject to change. The cash flow and categorizations have not been independently verified by Callan for accuracy or consistency with industry standards. Specific dates for each individual cash flow were not provided. To convert the non-specific cash flow information to a format that could be used in performance calculations, Callan assumed all cashflows occurred at mid-quarter to arrive at quarterly performance numbers. Performance figures are calculated using a modified BAI methodology.

**Timberland
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Distri- butions	=	End of Period Market
09/2015	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
12/2015	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
03/2016	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
06/2016	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
09/2016	1,174,000,000		0		31,000,749		6,825,496		0		24,175,253		1,174,000,000
12/2016	1,174,000,000		2,503,786		11,714,928		5,848,099		0		5,866,829		1,176,503,786
03/2017	1,176,503,786		4,320,365		16,937,064		4,381,542		0		12,555,522		1,180,824,151
06/2017	1,180,824,151		2,111,403		4,896,281		7,007,684		0		0		1,180,824,151
09/2017	1,180,824,151		0		23,950,872		6,171,175		0		17,779,697		1,180,824,151
12/2017	1,180,824,151		0		12,859,562		5,492,071		0		7,367,491		1,180,824,151
03/2018	1,180,824,151		0		20,321,021		4,354,624		0		15,966,397		1,180,824,151
06/2018	1,180,824,151		0		9,088,810		6,580,333		0		2,508,477		1,180,824,151
09/2018	1,180,824,151		0		25,565,025		6,616,709		0		18,948,316		1,180,824,151
12/2018	1,180,824,151		42,450,829		24,456,789		5,501,880		0		18,954,909		1,223,274,980
03/2019	1,223,274,980		0		15,276,769		4,827,971		0		10,448,798		1,223,274,980
06/2019	1,223,274,980		4,673,788		2,317,902		6,991,690		0		0		1,223,274,980
09/2019	1,223,274,980		0		23,812,783		6,242,732		0		17,570,051		1,223,274,980
12/2019	1,223,274,980		0		17,882,294		6,061,113		0		11,821,181		1,223,274,980
03/2020	1,223,274,980		0		18,638,361		3,762,953		0		14,875,408		1,223,274,980
06/2020	1,223,274,980		0		8,956,431		6,735,896		0		2,220,535		1,223,274,980
09/2020	1,223,274,980		0		25,452,127		5,987,474		0		19,464,653		1,223,274,980
12/2020	1,223,274,980		0		18,095,125		4,859,826		0		13,235,299		1,223,274,980
03/2021	1,223,274,980		0		27,260,805		3,960,254		0		23,300,551		1,223,274,980
06/2021	1,223,274,980		0		10,534,222		6,813,321		0		3,720,901		1,223,274,980
09/2021	1,223,274,980		0		26,825,218		6,108,460		336,725,020		20,716,758		1,560,000,000
12/2021	1,560,000,000		0		21,880,875		6,151,047		0		15,729,828		1,560,000,000
03/2022	1,560,000,000		0		22,475,223		4,043,218		0		18,432,005		1,560,000,000
06/2022	1,560,000,000		351,122		6,094,245		6,445,367		0		0		1,560,000,000
	1,174,000,000		56,411,293		489,231,218		157,967,109		336,725,020		338,400,422		1,560,000,000

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**Land Bank
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	= End of Period Market
09/2015	4,983,428	6,737,772	12,610	0	0	0	0	11,733,810
12/2015	11,733,810	6,737,772	12,610	0	0	0	0	18,484,193
03/2016	18,484,193	6,737,772	12,610	0	0	0	0	25,234,575
06/2016	25,234,575	6,737,772	12,610	0	(0)	0	0	31,984,958
09/2016	31,984,958	16,590,224	55,135	0	0	10,979	125,023	48,494,315
12/2016	48,494,315	16,329,704	102,209	0	0	0	2,503,786	62,422,442
03/2017	62,422,442	17,792,000	154,985	0	0	0	4,320,365	76,049,062
06/2017	76,049,062	25,100	205,626	0	0	0	0	76,279,788
09/2017	76,279,788	7,770,000	241,789	0	0	0	0	84,291,577
12/2017	84,291,577	27,995,332	331,297	0	0	0	0	112,618,206
03/2018	112,618,206	8,490,000	421,714	0	0	0	0	121,529,920
06/2018	121,529,920	10,500	519,281	0	0	0	0	122,059,701
09/2018	122,059,701	3,870,000	582,578	0	0	0	0	126,512,279
12/2018	126,512,279	25,136,124	797,030	619,400	0	0	42,450,829	109,375,204
03/2019	109,375,204	0	682,236	318,673	0	0	0	109,738,767
06/2019	109,738,767	0	671,781	0	0	0	0	110,410,548
09/2019	110,410,548	4,252,500	669,149	0	0	0	0	115,332,197
12/2019	115,332,197	12,793,400	666,353	0	0	0	0	128,791,950
03/2020	128,791,950	865,200	632,842	0	0	0	0	130,289,992
06/2020	130,289,992	52,134	420,030	0	0	0	0	130,762,156
09/2020	130,762,156	5,159,720	220,108	0	0	0	0	136,141,984
12/2020	136,141,984	6,595,000	154,248	0	0	0	0	142,891,232
03/2021	142,891,232	0	165,325	0	0	0	0	143,056,557
06/2021	143,056,557	0	101,260	0	0	0	31,785,592	111,372,225
09/2021	111,372,225	1,500,720	58,036	0	0	0	4,021,508	108,909,473
12/2021	108,909,473	33,390,720	85,049	0	0	0	0	142,385,242
03/2022	142,385,242	9,890,500	97,817	0	0	0	0	152,373,559
06/2022	152,373,559	0	225,994	0	0	0	47,135,952	105,463,601
	4,983,428	225,459,967	8,312,313	938,073	0	10,979	132,343,055	105,463,601

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Quarterly Highlights

The Callan Institute provides research to update clients on the latest industry trends and carefully structured educational programs to enhance the knowledge of industry professionals. Visit www.callan.com/research-library to see all of our publications, and www.callan.com/blog to view our blog. For more information contact Barb Gerraty at 415-274-3093 / institute@callan.com.

New Research from Callan's Experts

[Research Cafe: ESG Interview Series](#) | Mark Wood of Callan discusses with Jon Hale, Director of ESG Strategy at Morningstar, the evolving definition of sustainable investments.

[Research Cafe: Private Equity](#) | In this session, private equity experts Ashley Kahn and Jonathan Farr provide actionable insights for institutional investors to help them negotiate with private equity managers, and offer private equity managers crucial information about how their peers determine fees and terms. This session also includes a special feature on credit line usage.

[Investing in Data Centers: The Real Assets of the Digital Age](#) | Lauren Sertich discusses investing in data centers, a growing sector in which institutional investors have more investment options as the universe of qualified managers/operators rapidly expands.

[Do Active Fixed Income Managers Add Value With Sector Rotation?](#) | Kevin Machiz analyzes whether institutional investors could take a DIY approach to strategic sector allocations and forego sector rotation within fixed income and still achieve results comparable to active managers. Our study found that the average manager has added value with sector rotation.

Blog Highlights

[SEC Proposes Rule to Enhance and Standardize Climate-Related Disclosures](#) | The U.S. Securities and Exchange Commission unveiled its proposed rule amendments designed to improve and standardize disclosures around climate change risks for public companies.

[Unprecedented Territory—and the Inherent Limits of Diversification](#) | Stock and bond markets around the globe were down together for the first four months of 2022. How often does that happen? Did diversification fail us?

[Rising Interest Rates Spur Look at Structured Credit](#) | Structured credit has seen increased interest from institutional investors as they explore ways to adapt their fixed income portfolios for an expected environment of rising rates.

[Hedge Fund Strategies: A Guide for Institutional Investors](#) | Hedge fund strategies are beginning to see renewed interest from institutional investors seeking diversification benefits and downside protection. But these strategies can be complex; this explainer educates investors about investing in these strategies.

Quarterly Periodicals

[Private Equity Update, 1Q22](#) | A high-level summary of private equity activity in the quarter through all the investment stages

[Active vs. Passive Charts, 1Q22](#) | A comparison of active managers alongside relevant benchmarks over the long term

[Market Pulse Flipbook, 1Q22](#) | A quarterly market reference guide covering trends in the U.S. economy, developments for institutional investors, and the latest data on the capital markets

[Capital Markets Review, 1Q22](#) | Analysis and a broad overview of the economy and public and private markets activity each quarter across a wide range of asset classes

[Hedge Fund Update, 1Q22](#) | Commentary on developments for hedge funds and multi-asset class (MAC) strategies

[Real Assets Update, 1Q22](#) | A summary of market activity for real assets and private real estate during the quarter

[Private Credit Update, 1Q22](#) | A review of performance and fundraising activity for private credit during the quarter

Events

A complete list of all upcoming events can be found on our website: callan.com/events-education.

Please mark your calendar and look forward to upcoming invitations:

October Regional Workshop

Oct. 18, 2022 – Denver, CO

Oct. 20, 2022 – San Francisco, CA

2023 National Conference

April 2-4, 2023 – Scottsdale, AZ

For more information about events, please contact Barb Gerraty: 415-274-3093 / gerraty@callan.com

Education: By the Numbers

50+

Unique pieces of research the Institute generates each year

525

Attendees (on average) of the Institute's annual National Conference

3,700

Total attendees of the "Callan College" since 1994

Education

Founded in 1994, the "Callan College" offers educational sessions for industry professionals involved in the investment decision-making process.

Introduction to Investments

September 20-22 – Virtual

This program familiarizes institutional investor trustees and staff and asset management advisers with basic investment theory, terminology, and practices. Our virtual session is held over three days with virtual modules of 2.5-3 hours, while the in-person session lasts one-and-a-half days. This course is designed for individuals with less than two years of experience with asset-management oversight and/or support responsibilities. Virtual tuition is \$950 per person and includes instruction and digital materials. In-person tuition is \$2,350 per person and includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Additional information including registration can be found at: callan.com/events/



"Research is the foundation of all we do at Callan, and sharing our best thinking with the investment community is our way of helping to foster dialogue to raise the bar across the industry."

Greg Allen, CEO and Chief Research Officer



List of Callan's Investment Manager Clients

Confidential – For Callan Client Use Only

Callan takes its fiduciary and disclosure responsibilities to clients very seriously. We recognize that there are numerous potential conflicts of interest encountered in the investment consulting industry, and that it is our responsibility to manage those conflicts effectively and in the best interest of our clients. At Callan, we employ a robust process to identify, manage, monitor, and disclose potential conflicts on an ongoing basis.

The list below is an important component of our conflicts management and disclosure process. It identifies those investment managers that pay Callan fees for educational, consulting, software, database, or reporting products and services. We update the list quarterly because we believe that our fund sponsor clients should know the investment managers that do business with Callan, particularly those investment manager clients that the fund sponsor clients may be using or considering using. Please note that if an investment manager receives a product or service on a complimentary basis (e.g., attending an educational event), they are not included in the list below. Callan is committed to ensuring that we do not consider an investment manager's business relationship with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Please refer to Callan's ADV Part 2A for a more detailed description of the services and products that Callan makes available to investment manager clients through our Institutional Consulting Group, Independent Adviser Group, and Fund Sponsor Consulting Group. Due to the complex corporate and organizational ownership structures of many investment management firms, parent and affiliate firm relationships are not indicated on our list.

Fund sponsor clients may request a copy of the most currently available list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by particular fund manager clients. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance department.

Manager Name	Manager Name
abrdrn (Aberdeen Standard Investments)	Barings LLC
Acadian Asset Management LLC	Baron Capital Management, Inc.
Adams Street Partners, LLC	Barrow, Hanley, Mewhinney & Strauss, LLC
AEGON USA Investment Management Inc.	BentallGreenOak
AllianceBernstein	Black Creek Investment Management Inc.
Allianz	BlackRock
Allspring Global Investments	Blackstone Group (The)
American Century Investments	Blue Vista Capital Management, LLC
Amundi US, Inc.	BNY Mellon Asset Management
Antares Capital LP	Boston Partners
AQR Capital Management	Brandes Investment Partners, L.P.
Ares Management LLC	Brandywine Global Investment Management, LLC
Ariel Investments, LLC	Brookfield Asset Management
Aristotle Capital Management, LLC	Brown Brothers Harriman & Company
Atlanta Capital Management Co., LLC	Brown Investment Advisory & Trust Company
AXA Investment Managers	Capital Group
Baillie Gifford International, LLC	Carillon Tower Advisers
Baird Advisors	CastleArk Management, LLC

Manager Name

Chartwell Investment Partners

CIBC Asset Management Inc,

ClearBridge Investments, LLC

Cohen & Steers Capital Management, Inc.

Columbia Threadneedle Investments North America

Credit Suisse Asset Management, LLC

Crescent Capital Group LP

DePrince, Race & Zollo, Inc.

Dimensional Fund Advisors L.P.

Doubleline

Duff & Phelps Investment Management Co.

DWS

EARNEST Partners, LLC

Epoch Investment Partners, Inc.

Fayez Sarofim & Company

Federated Hermes, Inc.

Fidelity Institutional Asset Management

Fiera Capital Corporation

First Hawaiian Bank Wealth Management Division

First Sentier Investors

Fisher Investments

Franklin Templeton

Fred Alger Management, LLC

GAM (USA) Inc.

GlobeFlex Capital, L.P.

GoldenTree Asset Management, LP

Goldman Sachs

Golub Capital

Guggenheim Investments

GW&K Investment Management

Harbor Capital Group Trust

Hardman Johnston Global Advisors LLC

Heitman LLC

Hotchkis & Wiley Capital Management, LLC

Impax Asset Management LLC

Income Research + Management Inc.

Insight Investment

Intech Investment Management LLC

Intercontinental Real Estate Corporation

Invesco

Manager Name

J.P. Morgan

Janus

Jennison Associates LLC

Jobs Peak Advisors

KeyCorp

Lazard Asset Management

LGIM America

Lincoln National Corporation

Longview Partners

Loomis, Sayles & Company, L.P.

Lord Abbett & Company

LSV Asset Management

MacKay Shields LLC

Macquarie Asset Management

Manning & Napier Advisors, LLC

Manulife Investment Management

Marathon Asset Management, L.P.

McKinley Capital Management, LLC

Mellon

MetLife Investment Management

MFS Investment Management

MidFirst Bank

MLC Asset Management

Mondrian Investment Partners Limited

Montag & Caldwell, LLC

Morgan Stanley Investment Management

MUFG Union Bank, N.A.

Natixis Investment Managers

Neuberger Berman

Newton Investment Management

Ninety One North America, Inc.

Nomura Asset Management U.S.A. Inc.

Northern Trust Asset Management

Nuveen

P/E Investments

Pacific Investment Management Company

Pantheon Ventures

Parametric Portfolio Associates LLC

Partners Group (USA) Inc.

Pathway Capital Management, LP

Manager Name

Peregrine Capital Management, LLC

PFM Asset Management LLC

PGIM Fixed Income

PGIM Quantitative Solutions LLC

Pictet Asset Management

PineBridge Investments

Polen Capital Management, LLC

Principal Global Investors

Putnam Investments, LLC

RBC Global Asset Management

Regions Financial Corporation

Richard Bernstein Advisors LLC

Robeco Institutional Asset Management, US Inc.

Rothschild & Co. Asset Management US

S&P Dow Jones Indices

Schroder Investment Management North America Inc.

Segall Bryant & Hamill

SLC Management

Smith Graham & Co. Investment Advisors, L.P.

State Street Global Advisors

Strategic Global Advisors, LLC

Manager Name

T. Rowe Price Associates, Inc.

The TCW Group, Inc.

Thompson, Siegel & Walmsley LLC

Thornburg Investment Management, Inc.

Tri-Star Trust Bank

UBS Asset Management

VanEck

Versus Capital Group

Victory Capital Management Inc.

Virtus Investment Partners, Inc.

Vontobel Asset Management

Voya

Walter Scott & Partners Limited

Washington Capital Management, Inc.

WCM Investment Management

Wellington Management Company, LLP

Western Asset Management Company LLC

Westfield Capital Management Company, LP

Westwood Holdings Group, Inc.

William Blair & Company LLC



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board
Lawrence E. Denney, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D. Woolf, State Controller
Sherri Ybarra, Superintendent of Public Instruction
Dustin T. Miller, Secretary to the Board

Be it remembered, that the following proceedings were had and done by the State Board of Land Commissioners of the State of Idaho, created by Section Seven (7) of Article Nine (IX) of the Constitution.

Draft Minutes
State Board of Land Commissioners Regular Meeting
October 18, 2022

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, October 18, 2022 at the State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 West Jefferson, Boise, Idaho, and via webinar. The meeting began at 9:00 a.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Governor Brad Little
Honorable Secretary of State Lawrence Denney
Honorable Attorney General Lawrence Wasden
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Sherri Ybarra

For the record, all Land Board members were present. Governor Little and Secretary of State Denney were present at the physical location; Attorney General Wasden, State Controller Woolf, and Superintendent Ybarra joined by Zoom webinar.

[Editor's note: the Discussion portions, if any, for agenda items may be written in first-person format. This is not a verbatim transcript.]

1. Department Report – Presented by Dustin Miller, Director

Trust Land Revenue

- A. Timber Sales – September 2022
- B. Leases and Permits – September 2022

Discussion: None.

Status Updates

- C. Fire Season Report
- D. Land Bank Fund

Discussion: Director Miller thanked the Land Board for their support of the Department's wildland fire management program and most importantly for their support of the men and women on Department staff out there fighting fires on the fire line every summer. Department firefighters work hard and believe in the mission. Director Miller remarked that he is proud of their efforts and the commitment to safety and the protection of life, property, and Idaho's natural resources.

2. Endowment Fund Investment Board Report – Presented by Chris Anton, EFIB Manager of Investments

- A. Manager's Report
- B. Investment Report

Discussion:

Chris Anton: Governor, members of the Land Board, good morning. The broad sell-off that we saw in financial markets that started in late August carried over into September as central banks delivered outsized interest rate hikes and signaled more increases were forthcoming to combat inflation. Global equity markets fell 9.5% during September and are now down over 25% calendar year-to-date. Rising borrowing rates and a very strong dollar have tightened financial conditions and harmed economic activity around the world. We are starting to see contraction in manufacturing activity and real estate prices have stalled as mortgage rates have nearly doubled. Higher interest rates are definitely beginning to have an impact, but despite signs of initial slowing the U.S. economy has remained fairly strong. Employment remains strong so far. Time will tell if the central banks' efforts to combat inflation will cure the cancer without impairing the health of the patient. During the month of March, the portfolio was down 7.1% which left us down 4.4% fiscal year-to-date. Through yesterday we were down 3.3%; we are up a little bit so far in October. The market is up again today; we are probably down closer to 2% fiscal year-to-date.

Attorney General Wasden: Mr. Anton, I wanted to make a comment. My time serving on the Land Board will end within a short period of time. Please convey to the members of your Investment Board, my sincere gratitude for their service to the state. I have watched this process for 20 years and we have made significant gains based upon the exercise of their expertise to be able to support Idaho education and the other endowments. I just wanted to say thank you for that and ask you to convey that to the Investment Board members for me.

Mr. Anton: Governor, Mr. Attorney General, I appreciate your comments and will certainly pass them along to the Investment Board. It is nice to hear that, it has been a tough year. There are times when it feels pretty painful so it is nice to hear your good words and I will pass them along.

Attorney General Wasden: Thank you.

Consent—Action Item(s)

3. Forest Legacy—Hartland Conservation Easement – Presented by Craig Foss, Division Administrator-Forestry and Fire

Recommendation: Authorize the Department to acquire the Hartland conservation easement.

Discussion:

Governor Little: Mr. Foss on attachment 3, the last line, it starts off saying the commissioners are neutral. There are three of them, two of them are for it; that sounds like not neutral, but that is just me. But they view the easements as private property rights that do not warrant government interference. Did you talk to the commissioners or is this through a third party, this analysis of the commissioners' view?

Mr. Foss: Governor, members of the Land Board typically the land trust, and in this case, it is The Nature Conservancy, meets with landowners in the area to determine interest. They meet with the county commissioners and talk to them about what they are working on. If the project is submitted and funded, they let them know it has been funded. They typically try to gauge whether there is going to be support or opposition to the projects. What we are hearing specifically, especially in light of all of the development that is taking place, is there has been an attitude shift about legacy and that it is keeping working forests working as opposed to continuing to see fragmentation of the landscape and often times a lot of that ownership going out of the local area to out of state interests.

Governor Little: Specifically, who wrote the last sentence?

Mr. Foss: The last sentence would have been written by our forest legacy program manager.

Governor Little: The issue is it just does not quite connect; the dots do not quite connect that the view of conservation easements as private property rights does not warrant government interference. This is government interference; government is buying this ground.

Craig Foss: True. We will take a look at that sentence and maybe just indicate that it is a private property right and leave it at that.

Governor Little: I fully understand the fragmentation, I fully understand that part. I will probably hear from the commissioners anyway.

Mr. Foss: Understood.

**4. Disclaimer of Interest Request DI800275-Stillwater Holdings, LLC, Henrys Fork Snake River –
Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance**

Recommendation: Direct the Department to issue a Disclaimer of Interest for one parcel totaling 0.84 acres of the former bed of the Henrys Fork of the Snake River, to Stillwater Holdings LLC following their payment to the Department of the remaining processing fee of \$300.

Discussion:

Governor Little: Eric, the minutes from our last meeting did a good job of capturing our conversation. I thought it was interesting when I said how many more of these, you said thousands. When the new Land Board members come up, we need to have a bigger discussion on this disclaimer topic, these accreted lands and how we do it.

Mr. Wilson: Good enough, thank you Governor.

5. Approval of Draft Minutes – September 20, 2022 Regular Meeting (Boise)

Consent Agenda Board Action: A motion was made by Attorney General Wasden that the Land Board approve and adopt the Consent Agenda. Secretary of State Denney seconded the motion. The motion carried on a vote of 5-0.

Regular—Action Item(s)

6. Approval of Wildcat Cedar Timber Sale – Presented by Jeremy Shawver, Section Manager-Timber Sales

Recommendation: Approve the Wildcat Cedar Timber Sale.

Discussion:

Governor Little: Jeremy, for the other Land Board members, I asked the question given this policy what happens if we have a \$1 million sale, and the road costs are \$400,000 but then the sale only brings \$600,000. I have a response back; I think it is specific to this sale. I think it is a good policy and I think it is the right thing to do. This is a good project, but maybe for another Land Board meeting we will talk about that policy because this road and bridge is going to be there not only to serve maximizing the income off of that land, but also it will help access to the park, and they are paying. I am sure they could pay more but they are poorer than you are. This is a good project. Maybe you can talk to your fellow managers about when this happens, when it gets close, what do you do about it. I assume there are some instances where that has happened, where the development costs were forecast to be less than 50%, but then in actuarial either the cost of the project was higher or the revenue for the sale was lower. I think it would be good to add that on to our policy going forward.

Secretary of State Denney: I noticed that this bridge is not in the sale area. Is it needed to remove the timber from this sale?

Mr. Shawver: Governor, members of the Board, this specific project is an off-site development; it does not access this specific sale, that is correct. Due to forest planning and looking at development credits, this sale, because it was a cedar sale, had a lot of development allowance with very little work to be done to remove the timber from the sale area. So, looking forward into the future, the area planned to do this project with this sale for those 46,000 acres that it accesses for future sales.

Secretary of State Denney: Are the endowments the same?

Mr. Shawver: They are the same, correct.

Secretary of State Denney: Same ones; okay.

Governor Little: Good question.

Board Action: A motion was made by Attorney General Wasden that the Land Board approve the Wildcat Cedar Timber Sale as recommended. Secretary of State Denney seconded the motion. The motion carried on a vote of 5-0.

7. Adoption of Pending Rule IDAPA 20.02.14, Rules for Selling Forest Products on State-Owned Endowment Lands – Presented by Jeremy Shawver, Section Manager-Timber Sales

Recommendation: Adopt the pending rule for IDAPA 20.02.14 *Rules for Selling Forest Products on State-Owned Endowment Lands*.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Land Board adopt the pending rule for IDAPA 20.02.14 *Rules for Selling Forest Products on State-Owned Endowment Lands*. Secretary of State Denney seconded the motion. The motion carried on a vote of 5-0.

For the record, at approximately 9:33 a.m. Controller Woolf left the meeting to attend state business elsewhere.

8. Adoption of Pending Fee Rule IDAPA 20.03.17, Rules Governing Leases on State-Owned Navigable Waterways – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

Recommendation: Adopt the pending fee rule for IDAPA 20.03.17 *Rules Governing Leases on State-Owned Navigable Waterways*.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Land Board adopt the pending fee rule for IDAPA 20.03.17 *Rules Governing Leases on State-Owned Navigable Waterways*. Secretary of State Denney seconded the motion. The motion carried on a vote of 4-0.

Information

None

Executive Session

None

There being no further business before the Land Board, at 9:37 a.m. a motion to adjourn was made by Attorney General Wasden. Secretary of State Denney seconded the motion. The motion carried on a vote of 4-0.

STATE BOARD OF LAND COMMISSIONERS

November 15, 2022

Regular Agenda

Subject

Negotiated rulemaking for IDAPA 20.03.01 *Rules Governing Dredge and Placer Mining Operations in Idaho*

Question Presented

Shall the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.01 *Rules Governing Dredge and Placer Mining Operations in Idaho*?

Background

The Idaho Department of Lands (Department) administers these rules under the authority of the Idaho Dredge and Placer Mining Protection Act (Title 47, Chapter 13, Idaho Code). Dredge and placer mining is the extraction of minerals from a placer deposit left by a stream and containing particles of gold or other valuable minerals. A placer deposit can be in a natural watercourse or an ancient stream channel high above an existing stream. Extraction is done using motorized earth-moving equipment, including suction dredges with an intake nozzle over 8 inches in diameter. IDAPA 20.03.01 allows responsible resource extraction while protecting the lands, streams, and watercourses of the state.

Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled for a comprehensive review in 2023 with the goal of simplifying the rules for increased clarity and ease of use.

Discussion

The Department anticipates diminishing the overall regulatory burden by reducing both total word count and the number of restrictive words in the new rule chapter. The Department will review the rule with stakeholders to ensure that it is right-sized.

A proposed timeline for the rulemaking process is provided in Attachment 1.

Recommendation

Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.01 *Rules Governing Dredge and Placer Mining Operations in Idaho*.

Board Action

Attachments

1. Draft rulemaking timeline





Draft Rulemaking Timeline

IDAPA 20.03.01

Rules Governing Dredge and Placer Mining Operations in Idaho

November 15, 2022	Approval from Land Board to start negotiated rulemaking (regular agenda)
February 24, 2023	Last day to submit <i>Administrative Rules Request Form</i> to the Division of Financial Management (DFM) for Bulletin publication in April
March 2023	Post information on Idaho Department of Lands website about this rulemaking
April 5, 2023	<i>Notice of Intent to Promulgate Rules</i> publishes in the Idaho Administrative Bulletin; negotiated rulemaking and public comment period begins
April 19, 2023	Negotiated rulemaking public meeting in Riggins and via Zoom
April 26, 2023	Negotiated rulemaking public meeting in Boise and via Zoom
May 3, 2023	Negotiated rulemaking public meeting in Coeur d'Alene and via Zoom
May 10, 2023	Negotiated rulemaking public meeting in Salmon
June 16, 2023	End of public comment period for negotiated rulemaking
July 18, 2023	Present update on this rulemaking to the Land Board (information agenda)
July 21, 2023	Last day to submit proposed rule to DFM for Bulletin publication in September
August 4, 2023	Last day to submit <i>Notice of Proposed Rule</i> to the Office of the Administrative Rules Coordinator (OARC) for Bulletin publication in September
September 6, 2023	Proposed rule publishes in the Idaho Administrative Bulletin and 21-day written public comment period begins
September 20, 2023	Deadline to request a public hearing on proposed rule
September 27, 2023	End of written public comment period on proposed rule
October 17, 2023	Request approval from Land Board to adopt pending fee rule (regular agenda)
November 9, 2023	Last day to submit <i>Notice of Pending Fee Rule</i> to OARC for publication in December 2023
	Pending fee rule to be reviewed during the 2024 legislative session

Note: All dates are subject to change.

STATE BOARD OF LAND COMMISSIONERS

November 15, 2022

Regular Agenda

Subject

Negotiated rulemaking for IDAPA 20.03.03 *Rules Governing Administration of the Reclamation Fund*

Question Presented

Shall the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.03 *Rules Governing Administration of the Reclamation Fund*?

Background

The Idaho Department of Lands (Department) administers these rules under the authority of Title 47, Chapter 18, Idaho Code. IDAPA 20.03.03 provides consistent guidance in how Idaho's Reclamation Fund (Fund) is implemented. The Fund is a type of state bond pool created in 2002 to provide an alternative form of performance bond or financial assurance as required by Idaho mining regulations. The Fund is to be used by the Department to complete reclamation in the event an operator is unable to so.

Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled for a comprehensive review in 2023 with the goal of simplifying the rules for increased clarity and ease of use.

Discussion

These rules were last reviewed in 2019 under the Red Tape Reduction Act, which reduced the total word count by 22% and the number of restrictive words by 55%. Additional reductions will be evaluated in the new rule chapter. The Department will review the rule with stakeholders to ensure that it is right-sized.

A proposed timeline for the rulemaking process is provided in Attachment 1.

Recommendation

Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.03 *Rules Governing Administration of the Reclamation Fund*.

Board Action

Attachments

1. Draft rulemaking timeline





Draft Rulemaking Timeline

IDAPA 20.03.03

Rules Governing Administration of the Reclamation Fund

November 15, 2022	Approval from Land Board to start negotiated rulemaking (regular agenda)
February 24, 2023	Last day to submit <i>Administrative Rules Request Form</i> to the Division of Financial Management (DFM) for Bulletin publication in April
March 2023	Post information on Idaho Department of Lands website about this rulemaking
April 5, 2023	<i>Notice of Intent to Promulgate Rules</i> publishes in the Idaho Administrative Bulletin; negotiated rulemaking and public comment period begins
April 26, 2023	Negotiated rulemaking public meeting in Boise and via Zoom
May 3, 2023	Negotiated rulemaking public meeting in Coeur d'Alene and via Zoom
June 16, 2023	End of public comment period for negotiated rulemaking
July 18, 2023	Present update on this rulemaking to the Land Board (information agenda)
July 21, 2023	Last day to submit proposed rule to DFM for Bulletin publication in September
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October 17, 2023	Request approval from Land Board to adopt pending fee rule (regular agenda)
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Note: All dates are subject to change.

STATE BOARD OF LAND COMMISSIONERS

November 15, 2022

Regular Agenda

Subject

Negotiated rulemaking for IDAPA 20.03.05 *Riverbed Mineral Leasing in Idaho*

Question Presented

Shall the Land Board authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.05 *Riverbed Mineral Leasing in Idaho*?

Background

The Idaho Department of Lands (Department) manages the beds of navigable rivers to provide for their commercial, navigational, recreational, or other public use. IDAPA 20.03.05 establishes a consistent process to authorize mineral exploration and extraction on state-owned navigable rivers and collect rents and royalties.

Following Executive Order 2020-01, Zero-Based Regulation, this rule chapter is scheduled for a comprehensive review in 2023 with the goal of simplifying the rules for increased clarity and ease of use.

Discussion

The Department anticipates diminishing the overall regulatory burden by reducing both total word count and the number of restrictive words in the new rule chapter. The Department will review the rule with stakeholders to ensure that it is right-sized. Preliminary research justifies increasing fees to cover the actual costs of processing. These fees have not changed since they were approved in 1991.

A proposed timeline for the rulemaking process is provided in Attachment 1.

Recommendation

Authorize the Department to initiate negotiated rulemaking for IDAPA 20.03.05 *Riverbed Mineral Leasing in Idaho*.

Board Action

Attachments

1. Draft rulemaking timeline



Draft Rulemaking Timeline

IDAPA 20.03.05

Riverbed Mineral Leasing in Idaho

November 15, 2022	Approval from Land Board to start negotiated rulemaking (regular agenda)
February 24, 2023	Last day to submit <i>Administrative Rules Request Form</i> to the Division of Financial Management (DFM) for Bulletin publication in April
March 2023	Post information on Idaho Department of Lands website about this rulemaking
April 5, 2023	<i>Notice of Intent to Promulgate Rules</i> publishes in the Idaho Administrative Bulletin; negotiated rulemaking and public comment period begins
April 19, 2023	Negotiated rulemaking public meeting in Riggins and via Zoom
April 26, 2023	Negotiated rulemaking public meeting in Boise and via Zoom
June 16, 2023	End of public comment period for negotiated rulemaking
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September 6, 2023	Proposed rule publishes in the Idaho Administrative Bulletin and 21-day written public comment period begins
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	Pending fee rule to be reviewed during the 2024 legislative session

Note: All dates are subject to change.

STATE BOARD OF LAND COMMISSIONERS

November 15, 2022

Regular Agenda

Subject

Annual Review of Statement of Investment Policy

Question Presented

Shall the Land Board approve the revised Statement of Investment Policy for the combined Endowment assets?

Background

In November 2014, the Land Board accepted the Asset Allocation and Governance Review from Callan Associates (Callan). The report included a recommendation to develop:

A comprehensive Investment Policy Statement...for the combined Trust that identifies the investment objectives, risk management processes, risk tolerance (including connecting the risk taken in the asset allocation with that expressed in the distribution policy), the adopted asset allocation and rebalancing ranges, decision-making and the roles of each party involved in the investment process, how performance will be monitored and measured for each asset type, and the establishment of appropriate metrics and peer groups where relevant for both the land and financial assets.

Callan, working with the Idaho Department of Lands (Department) and the Endowment Fund Investment Board (EFIB), developed a Statement of Investment Policy for the combined Endowment assets, which was approved by the Land Board at the May 2016 meeting. The Statement of Investment Policy and appendices are subject to annual review and approval by the Land Board's Investment Subcommittee and the Land Board.

Discussion

The Department worked with EFIB and Callan to review and revise the Statement of Investment Policy and appendices (Attachment 1), previously approved at the November 2021 Land Board meeting, to make corrections, align with current practices, and provide clarity. The following items are among the revisions:

- Added a description of the asset allocation study from 2022 and removed descriptions of past studies.
- Asset class valuations and percentages of total portfolio as of June 30, 2022.
- Minor revisions to text throughout the document to provide clarity or make corrections.
- Hurdle rate for timberland acquisition changed to 3.35% net real.

The changes to the Statement of Investment Policy were approved by the Investment Subcommittee on November 1, 2022.

Recommendation

The Department recommends that the Land Board approve the revised Statement of Investment Policy.

Board Action

Attachments

1. Draft Statement of Investment Policy and appendices



Statement of Investment Policy

Idaho Land Grant Endowments

As overseen by the:

Idaho Board of Land Commissioners



INCLUDES FUNDS MANAGED BY THE ENDOWMENT FUND INVESTMENT BOARD



INCLUDES LAND MANAGED BY THE IDAHO DEPARTMENT OF LANDS

November ~~16, 2021~~ 15, 2022

This Statement of Investment Policy was initially published May 17, 2016 and is updated annually.

~~The policy superseded the State Trust Lands Asset Management Plan dated December 20, 2011.~~

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I. Introduction

The State Board of Land Commissioners (Land Board) hereby establishes this Statement of Investment Policy (Statement) for the investment and management of the land grant endowment assets (Endowment Assets or Endowment) of the State of Idaho. The Endowment Assets were created by The Idaho Admissions Act in 1889 which granted the new state approximately 3,600,000 acres of land for the sole purpose of funding fourteen specified beneficiaries including nine different trusts or endowments.

This Statement provides policies for the investment and management of financial and land assets which together comprise the Endowment Assets. Financial Assets consist primarily of the invested revenues from the endowment lands (collectively, Financial Assets). Land Assets include timberland, rangeland, farmland, commercial real estate, residential (cabin sites) real estate, minerals, and oil and gas (collectively, Land Assets) located in Idaho.

II. Purpose

This Statement of Investment Policy is set forth by the Land Board to accomplish the following:

- Establish a clear understanding for all involved parties regarding the management and investment goals and objectives for the Endowment Assets.
- Offer guidance and limitations to all involved parties regarding the management and investment of Endowment Assets.
- Define and assign the responsibilities of participants involved in the investment process.
- Establish a basis for evaluating investment and management results.
- Manage Endowment Assets according to prudent standards as established in the Idaho Constitution and trust law.
- Establish the relevant investment horizon for which the Endowment Assets will be managed.

III. Constitutional and Statutory Requirements

The investment and management of the Endowment Assets will be in accordance with the Idaho Constitution, all applicable laws of the State of Idaho, and other pertinent legal restrictions. In the event this Statement is inconsistent with Constitutional or Statutory Requirements (Requirements), those Requirements will control.

A. Land Board

Article IX, Section 7 of the Constitution establishes the Land Board: “The governor, superintendent of public instruction, secretary of state, attorney general and state controller shall constitute the state board of land commissioners, who shall have the direction, control and disposition of the public lands of the state, under such regulations as may be prescribed by law.”

B. Sole Interest of the Beneficiaries

All Endowment Assets of the State of Idaho must be managed “in such manner as will secure the maximum long-term financial return” to the trust beneficiaries.

C. Prudent Investments and Fiduciary Duties

The Land Board and its agents, including staff, the Idaho Department of Lands (IDL), the Endowment Fund Investment Board (EFIB), consultants, advisors, and investment managers shall exercise the judgment and care of a prudent investor as required under the prudent investor rule set forth in the Uniform Prudent Investor Act (Act), Idaho Code §§ 68-501 to 68-514.

Endowment Assets shall be invested and managed with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use in the investment and management of assets of like character with like aims.

The Act states, in part, that: “A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution”; and, “A trustee’s investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.”

The duty of prudence requires trustees to bring the appropriate level of expertise to the administration of the trust. An implied duty of trustees is also to preserve and protect the assets with a long-term perspective sensitive to the needs of both current and future beneficiaries.

D. Sales, Exchanges, and the Land Bank

Article IX, Section 8 of the Idaho Constitution includes the following restrictions regarding the sale of lands:

- All land disposals must occur via public auction
- A maximum of 100 sections (64,000 acres) of state lands may be sold in any year
- A maximum of 320 acres may be sold to any one individual, company, or corporation (160 acres for University endowment lands per Article IX, Section 10)
- No state lands may be sold for less than the appraised price
- Granted or acquired lands may be exchanged on an equal value basis with other lands subject to certain restrictions
- Forest and certain other land may not be sold per Idaho Code § 58-133, which states, “All state-owned lands classified as chiefly valuable for forestry, reforestation, recreation, and watershed protection are reserved from sale and set aside as state forests.”

Article IX, Section 4 of the Idaho Constitution provides for the deposit of the proceeds from the sale of school lands into a land bank fund to be used to acquire other lands within the state for the benefit of endowment beneficiaries, subject to a time limit established by the legislature.

Idaho Code § 58-133 provides conditions for use of the Land Bank Fund. In summary, the Land Bank Fund exists to hold the proceeds from the sale of state endowment land pending the purchase of other land in Idaho for the benefit of the endowment beneficiaries. Funds in the Land Bank, including earnings, are continually appropriated to the Land Board. If the funds have not been utilized for land acquisition within five years, they are transferred to the permanent endowment fund of the respective endowment. The Land Board may transfer any portion of the funds in the Land Bank to the Permanent Fund at any time.

E. Other Constitutional Requirements and Statutes

Additional constitutional articles and state statutes are described throughout this Statement. [Appendix B](#) includes the entirety of the constitutional articles and statutes that apply to the investment and management of Endowment Assets.

IV. Investment Goals

A. General Objective

The stated mission for Endowment Assets is to provide a perpetual stream of income to the beneficiaries by managing assets with the following objectives:

- Maximize long-term financial return at a prudent level of risk.
- Provide relatively stable and predictable distributions to the beneficiaries.
- Constrain distributions to protect future generations' purchasing power.
- Maintain sufficient liquidity for anticipated expenditures.

B. Considerations

Primary considerations impacting the fulfillment of the investment mission and objectives include the following:

- Constitutional and statutory requirements as noted previously. Constitutional restrictions are considered permanent given the process required to amend the Constitution (approval by a two-thirds majority in the House of Representatives and Senate followed by ratification by the citizens of Idaho via a general election ballot or a constitutional convention).
- Managing revenue and profit-generating activities within a government agency.
- Each trust holds its Financial Assets in a commingled pool (with shares owned by several trusts) but its Land Assets in specific and unique tracts.

C. Investment Return Objective

As perpetual assets, per State Constitution and statute, the Endowment has a perpetual investment horizon. The investment return objective for the Endowment Assets is to earn over a long period an annualized real return, net of fees, expenses, and costs, above spending and inflation (per Idaho Code § 57-724) as well as population growth (per Land Board policy). Given the current financial and land asset mix, the Endowment is expected to earn a real net return of 3.56% annually over the long term.

D. Distribution Policy

The Distribution Policy adopted by the Land Board (further described in Section VIII) sets annual distributions to beneficiaries. The interaction of investment and distribution policies should balance the needs of current and future beneficiaries. The Land Board's policy is to distribute a conservative estimate of long-term sustainable income and hold sufficient reserves of undistributed income to absorb down cycles in endowment earnings. It is a priority to avoid reductions in distributions because most beneficiaries depend on endowment distributions to fund ongoing operations.

V. Investment Risk and Strategic Asset Allocation

A. Asset Class Diversification Asset Classes

Risk, as it relates to stability of distributions, shall be managed primarily by holding reserves of undistributed income. Risk, as it relates to the volatility of earnings of the Endowment Assets, shall be managed primarily through diversification. Subject to land disposal restrictions and the statutory prohibition on selling timberland, the Endowment Assets will be diversified both by asset class and within asset classes to the extent practical. The purpose of diversification is to provide reasonable assurance that no single asset class will have a disproportionate impact on the Endowment. Both quantitative measures and qualitative judgment will be used in assessing and managing risk.

B. Review of Asset Classes and Asset Allocation

In setting strategic asset allocations, the Land Board will focus on ensuring the Endowment Assets' expected long-term returns will meet expected long-term obligations with a prudent level of risk. Approximately every eight years, the Land Board will evaluate the asset allocation mix and conduct an asset allocation study (last completed in [20142022](#)) to determine the long-term strategic allocations to meet risk/return objectives.

Significant changes in capital market assumptions, portfolio characteristics, timber income expectations, or the Distribution Policy may cause the Land Board to accelerate the timing of an asset allocation study. For example, the illiquidity of much of the Land Assets may require the target asset mix of the Financial Assets be adjusted due to significant land sales or acquisitions or the appreciation of the Financial Assets at a faster or slower rate than the appreciation of the Land Assets.

EFIB will review the Distribution Policy annually. When key assumptions in the Distribution Policy, such as expected earnings and volatility change, EFIB will recalculate the risk of shortfalls in future distributions and provide recommendations on policy adjustments to the Land Board.

C. Strategic Asset Allocation

~~The Land Board commissioned a governance and asset allocation study in 2014 and accepted the recommendations included in the Callan Asset Allocation and Governance Report (Callan Report). This section summarizes the major conclusions of the asset allocation portion of the Callan Report. The purpose of the asset allocation study was to evaluate current and potential asset allocation mixes incorporating Land Assets with Financial Assets to evaluate expected return and volatility of the portfolio.~~

~~The Land Board commissioned a second Callan study in 2017 to provide further analysis and refinement on the asset allocation work completed in 2014. The primary goal of the follow-up study was to determine for each endowment the best and highest use of assets in the Land Bank—reinvestment into traditional land assets (timberland or farmland) or transfer to the financial asset portfolio. The Land Board accepted the results from the study and elected to pursue Option A from Callan’s Options to Consider (page 33 of the report), which reads:~~

~~Option A: Consistent with the Reinvestment Plan, identify potential transactions that meet established hurdle rates and set aside sufficient funds over appropriate time horizon (immediately move money that will either “mature” prior to the transaction or exceeds what is required).~~

- ~~• Recognizes the importance of land in the total Endowment and attempts to maintain land’s target allocation (41%)~~

In 2022, the Land Board commissioned an update of the asset allocation study on the schedule directed by this investment policy statement. The purpose was to update the return forecasts for land and financial assets and the expected return and risk for the total endowment trust. The update was accepted by the Land Board in June 2022. The updated asset allocation study eliminated the desired percentage ranges and target allocations for each asset class in the total endowment because specifying ranges and target allocations implies the ability to move assets in a frictionless way.

The ~~Land Board approved the~~current asset mix for the total endowment is ~~from the Callan Report~~ presented in Exhibit 1 below:

Exhibit 1: Asset Allocation

Asset Class	Target Asset Allocation	Range	Actual Asset Allocation June 30, 2021	Valuation June 30, 2021
Financial Assets	58%	50—65%	63.13%	\$3,107,842,560
Timberland*	39%	30—50%	31.69%	\$1,560,000,000
Rangeland*	2%	0—5%	1.29%	\$63,400,000
Cash Equivalents (Land Bank)	1%	0—5%	2.26%	\$111,372,225
Residential Real Estate	0%	N/A	0.65%	\$31,784,000
Commercial Real Estate	0%	N/A	0.35%	\$17,141,822
Farmland	N/A	N/A	0.63%	\$31,186,650
Total	100%		100%	\$4,922,727,257
Expected Return (net)	5.8%			
Expected Risk (Standard Deviation)	12.9%			
Inflation Assumption	2.25%			

*Valuation for timberland and rangeland updated based on draft report from Mason, Bruce & Girard, 2021.

<u>Asset Class</u>	<u>Actual Asset Allocation June 30, 2022</u>	<u>Valuation June 30, 2022</u>
<u>Financial Assets</u>	<u>59.83%</u>	<u>\$2,706,071,292</u>
<u>Timberland*</u>	<u>34.49%</u>	<u>\$1,560,000,000</u>
<u>Rangeland*</u>	<u>1.40%</u>	<u>\$63,385,840</u>
<u>Cash Equivalents (Land Bank)</u>	<u>2.33%</u>	<u>\$105,463,601</u>
<u>Residential Real Estate</u>	<u>0.41%</u>	<u>\$18,762,500</u>
<u>Commercial Real Estate</u>	<u>0.80%</u>	<u>\$36,044,000</u>
<u>Farmland</u>	<u>0.73%</u>	<u>\$32,853,400</u>
<u>Total</u>	<u>100%</u>	<u>\$4,522,580,633</u>
<u>Expected Return (net)</u>	<u>6.05%</u>	
<u>Expected Risk (Standard Deviation)</u>	<u>10.11%</u>	
<u>Inflation Assumption</u>	<u>2.25%</u>	

Percent may not total exactly 100 due to rounding

- ~~The Target Asset Allocation percentages were established in December 2014 with the following exceptions:

 - ~~A Diversified US Real Estate (Commercial Property) target allocation was adopted by EFIB in October 2015 and implemented in 2016 in the financial assets portfolio.~~
 - ~~The asset allocation study did not include residential real estate because of an approved disposition plan adopted by the Land Board.~~
 - ~~The asset allocation study did not include commercial real estate given its limited size and low likelihood that it should be expanded due to the following:

 - ~~Difficulty profitably managing the asset given certain constitutional and statutory constraints.~~
 - ~~Lack of a compelling investment rationale for a concentrated position in Idaho commercial properties considering other alternatives available, including increasing investment in timberland or the financial assets.~~
 - ~~The Land Board adopted a plan in February 2016 to divest most commercial real estate managed by IDL and has implemented a substantial portion of that plan.~~~~~~
- ~~The ranges for land investments reflect the inherent illiquidity in these land types combined with an inconsistent supply of land for purchase and restrictions on sales, all of which impact the ability to rebalance land investments.~~
- ~~Although it is not an institutional asset class, rangeland was included in the asset allocation study due to its large absolute number of acres and its illiquidity.~~

Based on Callan's 2022 Capital Market Expectations, ~~Over~~ Over a 10-year period, ~~Callan indicates the target current asset allocation should be expected to~~ Callan indicates the target current asset allocation is expected to generate a nominal return in excess of ~~5.86.1%~~ 5.86.1% net of

fees. Using an inflation assumption of 2.25% results in an expected real net return of 3.5585%. The volatility level (standard deviation) associated with this asset mix is approximately 12.910.1%. The Land Board recognizes the actual 10-year return can deviate significantly from this expectation—both positively and negatively.

The Land Board acknowledges the link between the ~~Target Asset~~ asset Allocation and the Distribution Policy. If an asset allocation mix is selected that deviates from the risk and return in the current ~~Target Asset~~ asset Allocation, the Land Board, in consultation with EFIB, will assess the impact on the Distribution Policy and change the Distribution Policy as necessary. In broad terms, changes in long-term expected ~~income~~ return will impact the estimated level of sustainable distributions while changes in risk, as measured by volatility of ~~income~~ returns, will impact the desired level of reserves.

EFIB will review the asset allocation for the Financial Assets per the EFIB Investment Policy and present it to the Land Board as an informational item.

D. Strategic Policies

In addition to asset allocation, the Land Board may from time to time authorize or adopt strategic policies. “Strategic Policies” are actions by the Land Board to allow investment in asset types that have not been singled out as “asset classes” in the asset allocation process, to overweight a particular sector within an asset class, or to employ particular strategies in the investment of the Endowment Assets. The purposes of these actions are either to increase the return above the expected return or to reduce risk. Any such policy would include consideration of the change in risk, the change in return, and the impact on the Distribution Policy.

VI. Investment Governance Structure

The Idaho Constitution provides that the endowment funds are held in trust and administered by the Land Board as trustees. The Constitution further provides that the Idaho Legislature may establish a statutory structure for administration that is consistent with the nature of the trusts. Accordingly, the Idaho Legislature created a structure that established EFIB as the manager of the Financial Assets, established the appropriations process for the payment of trust management expenses, and created IDL to serve as the manager of the Idaho Land Assets of each trust. The constitutional and statutory provisions, together with Land Board policy, establish the governance structure for Endowment Assets.

A. Land Board Responsibility

Management of the Endowment Assets is entrusted to the Land Board which serves as the sole fiduciary of both the Land Assets and Financial Assets. The Land Board is ultimately responsible for all management and investment activities. The powers and duties of the Land Board are fully described in Idaho Code § 58-104.

In exercising these responsibilities, in addition to EFIB and IDL, the Land Board may hire personnel and agents and delegate investment functions to those personnel and agents consistent with constitutional and statutory provisions. Where the Land Board does not or cannot delegate investment powers or duties, the Land Board will either satisfy itself that it is familiar with such matters or will retain persons who are familiar with such matters to consult or assist the Land Board in the exercise of those responsibilities. Where the Land Board delegates a responsibility, it will be delegated to a person who is familiar with such matters, and the Land Board will monitor and review the actions of those to whom responsibilities are delegated.

1. General Roles and Responsibilities

The Land Board's general role and responsibilities regarding investments include, but are not limited to the following:

- Direct and oversee the conduct and operations of EFIB and IDL.
- Appoint and consult with expert advisors (including EFIB and IDL) for each critical function for which the Land Board has responsibility. In this context, the term "expert advisor" shall mean a person engaged in the business for which he holds himself out to be an expert and who is experienced in that field.
- Plan and establish strategic policies to coordinate the management of state endowment lands with the management of the endowment funds.
- Provide reports on the status and performance of state endowment lands and the respective endowment funds to the state affairs committees of the Senate and the House of Representatives within fourteen days after a regular session of the legislature convenes.
- Make strategic decisions, primarily concerning asset allocation, and establish and/or approve endowment land asset investment and management policies and strategies.
- Periodically review this master investment policy and any sub-policies.
- Monitor the compliance of EFIB and IDL with the investment policies and strategy determined by the Land Board and the execution of the strategy.
- Hire agents in addition to IDL and EFIB to assist the Land Board in the implementation of strategy or investment policies.
- Approve the IDL annual budget request for consideration by the governor and legislature (including review of appropriation requests to IDL from Earnings Reserves).
- Approve allocation of Earnings Reserve Funds as provided in Idaho Code § 57-723A (Distribution Policy), specifically how much is: distributed annually to beneficiaries; retained for future distribution; and, transferred to the Permanent Fund to build corpus.
- Approve the annual timber sale plan and certain timber sales that fall outside of the IDL director's authority.
- Review the IDL director's monthly timber sale activity report showing the proposed sales for the next month.
- Approve large routine land investment decisions that exceed the authority of the IDL director.
- Approve certain other land investment decisions that exceed the authority delegated to the IDL director.

- Approve rulemaking and legislation for IDL.
- Review decisions of the IDL director upon appeal in contested matters.

2. Land Board Investment Subcommittee

a) Structure of the Investment Subcommittee

The Land Board established and authorized the Subcommittee in December 2014. The current composition of the Subcommittee is one EFIB member (selected by the EFIB chair), the EFIB manager of investments, and the IDL director.

b) General Roles and Responsibilities of the Investment Subcommittee

The Investment Subcommittee provides review and advice to the Land Board. The primary purpose of the Investment Subcommittee is to coordinate consideration of investment issues that cross both the Land Assets and the Financial Assets, including the following:

- Administer the contract for the general consultant and other consultants, as assigned by the Land Board.
- Work with the general consultant to identify the Land Board's advisor(s) and consultants, including the Land Investment Advisor(s), Land Acquisition Advisor(s), Commercial Real Estate Broker, and the Land Board's Commercial Real Estate Investment Advisor.
- Work with the general consultant and recommend the Statement of Investment Policy and Asset Management Plan to the Land Board.
- Recommend policy regarding implementation of land exchanges on endowment lands.
- Recommend policy (consistent with Idaho Code § 58-133) regarding the use of proceeds from the disposal of assets (e.g., cabin sites, commercial real estate, grazing lands). This may include deposit in the Permanent Fund or holding of proceeds in the Land Bank Fund to acquire additional endowment land assets in Idaho (excluding commercial buildings), access to currently owned endowment lands, or to block-up ownership of endowment lands.

3. Use of Outside Experts

The Land Board employs outside advisors and consulting firms to provide specialized expertise, assist IDL with transactions, and verify or review IDL's and EFIB's investment and operational activities and procedures.

a) Non-Discretionary Investment Consultants

The Land Board may hire a qualified independent consultant or consultants (including a general consultant) for strategic and annual plan reviews, review of new investment initiatives, investment policy development and review, asset allocation, advisor selection and monitoring, and performance measurement. Investment consultants will be fiduciaries with respect to the services provided and will act in a non-discretionary capacity with no decision-making authority.

b) Commercial Real Estate Advisor

The Land Board may use a commercial real estate advisor to advise on the Idaho commercial property portfolio or transition properties. The commercial real estate advisor will provide analysis and

management expertise on the retention, leasing, disposition, and management of the properties. The commercial real estate advisor will be a fiduciary with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

c) Land Acquisition Advisors

The Land Board may use land acquisition advisors to source land acquisitions, facilitate completion of due diligence work, and make recommendations. Due diligence services may include appraisals, review appraisals, timber cruise and check cruise, financial evaluation, mineral and water right identification, encumbrance review, survey, and title review. Land acquisition advisors will be fiduciaries with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

d) Land Investment Advisor

The Land Board may use a land investment advisor(s) to independently review certain land investment decisions proposed by IDL (land disposal, land acquisition, exchange, and new tenant improvements) that are over \$100,000. The land investment advisor will review the post-audit completed by IDL for transactions over \$1,000,000. The land investment advisor may be used for independent review of IDL procedures. The land investment advisor will be a fiduciary with respect to the services provided and act in a non-discretionary capacity with no decision-making authority.

e) Auditor

Idaho Code § 57-720 requires the Financial Assets of the endowment be reviewed by an independent auditor. The independent auditor also reviews the application of agreed upon procedures for the IDL income statement. To oversee this process, and any other audits it deems prudent, the Land Board has established the Land Board Audit Committee, consisting of the attorney general (or designee), the state controller (or designee), and three members of EFIB, appointed by its Chair.

B. Investment Governance and Investment Policy for the Financial Assets

Idaho Code § 57-718 created EFIB which formulates policy for and manages the investment of the Financial Assets, which consists primarily of the invested revenues from the endowment lands. As permitted in Idaho Code § 57-720, the fund assets of all nine endowments, both Permanent Funds and Earnings Reserve Funds, may be combined in a single investment pool.

1. Mission of EFIB

The mission of EFIB is to provide professional investment management services to its stakeholders consistent with its constitutional and statutory mandates.

2. Structure of EFIB

Per Idaho Code § 57-718, EFIB consists of nine members appointed by the governor and confirmed by the Senate. These members are one state senator, one state representative, one professional educator, and six members of the public familiar with financial matters.

3. General Roles and Responsibilities of EFIB and Agents

With a citizen board and small staff, EFIB will make strategic allocations and generally avoid making tactical calls. The Board and staff will concentrate on the following activities:

- Making strategic decisions, primarily concerning asset allocation.
- Establishing investment policy for the funds.
- Recommending Distribution Policy and transfers of Earnings Reserves to the Land Board.
- Establishing Distribution Policy for the Capitol Permanent Fund.
- Selecting, monitoring, and terminating investment managers, consultants, and custodians.
- Selecting and directing staff.
- Approving an investment management expense budget from Earnings Reserves for consideration by legislative appropriation.
- Overseeing a credit enhancement process to reduce interest rates on Idaho school bonds through the pledge of certain assets of the Public School Endowment Fund.
- Maintaining a reporting system that provides a clear picture of the status of the Financial Assets.

4. Professional Staff

EFIB will maintain a staff with investment expertise, including a Manager of Investments (MOI) who is a fiduciary to EFIB. The MOI is responsible for directing and monitoring the investment management of the Financial Assets.

5. Use of Outside Experts

The Financial Assets will be invested by professional investment firms. No funds will be managed internally. EFIB will also employ one or more outside consulting firms to provide specialized expertise and assist in, among other things, asset allocation, manager selection and monitoring, and performance measurement.

6. Investment Policy Statement for Financial Assets

EFIB will maintain a detailed Investment Policy that pertains specifically to the management and investment of the Financial Assets ([Appendix C](#)). The Land Board is not required to approve this investment policy as this duty is delegated to EFIB.

C. Investment Governance for Land Assets

Idaho Code § 58-101 created IDL to serve as the internal investment and asset manager of the Land Assets of each trust. This role includes authorization to make certain investment decisions consistent with the established governance structure and includes day-to-day operating responsibilities for the Land Assets. This is in contrast to the EFIB structure where implementation and day-to-day decision making is delegated to external investment managers subject to approved guidelines and contracts.

The Land Assets include timberland, rangeland, farmland, commercial real estate, residential (~~cabin sites~~) real estate, minerals, and oil and gas (collectively “Land Assets”) located in Idaho.

1. Mission of IDL

The mission of IDL is to professionally and prudently manage Idaho's Land Assets to maximize long-term financial returns to public schools and other trust beneficiaries and to provide professional assistance to the citizens of Idaho to use, protect, and sustain their natural resources. IDL also has various regulatory, technical assistance, and resource protection roles.

2. Structure of IDL

IDL operates under the direction of the Land Board and is the administrative arm of the Idaho Oil and Gas Conservation Commission. IDL is led by a director who is employed by and is directed by the Land Board. The director's staff includes a deputy director, a division administrator for Forestry and Fire (currently serves as State Forester), a division administrator for Trust Land Management, a division administrator for Minerals, ~~Public Trust~~[Navigable Waters](#), and Oil & Gas, a division administrator for Operations, a division administrator for Business Services, [and](#) a policy and communications chief, ~~and a human resources officer~~—collectively, the executive staff. Each of the positions identified above supervises various professional, technical, and administrative support staff.

3. General Roles and Responsibilities

IDL manages more than 2.4 million acres of Idaho Land Assets (and additional acreage of retained mineral rights) under a constitutional mandate to maximize long-term financial returns for the sole benefit of public schools and certain other state institutions enumerated in statute.

The director and staff will concentrate on the following investment-related activities:

- Serving as the instrumentality of the Land Board.
- Implementing the strategic direction established by the Land Board concerning Land Assets.
- Making strategic decisions (where authorized) and providing recommendations to the Land Board concerning management of Land Assets.
- Establishing policies and procedures for IDL programs.
- Selecting and directing staff.
- Developing a land and resource management expense budget from Earnings Reserves for Land Board approval and consideration for legislative appropriation. Earnings Reserves is only a portion of the IDL budget.
- Monitoring and reporting progress toward strategic goals, including preparing an annual income statement following agreed upon procedures and calculating annual returns for major asset classes and all asset classes combined.

Decision-making authority for endowment land asset management resides with the Land Board except as delegated to the IDL director. Program management resides with the director's staff and their subordinates. IDL establishes policies and procedures for routine programmatic activities at the bureau and program levels.

IDL has delegated authority to approve the following:

- Normal timber sales that fall within established Land Board policies and salvage sales.
 - Exceptions include sales with clear-cut harvests over 100 acres; sales with development credits exceeding 50% of the net appraised value or 33% of the gross appraised value; and sales with written citizen concerns.
- Approval of certain routine land investment decisions. Routine land investment decisions include access acquisition, forest and range improvements, reforestation, and building maintenance.
 - Transactions <\$500,000 the IDL director may authorize.
 - Transactions >\$500,000 require Land Board approval.
- Approval of certain other land investment decisions. Other land investment decisions include land disposal, land acquisition, and new tenant improvements.
 - Transactions <\$100,000 the IDL director may authorize.
 - Transactions >\$100,000 require Land Board approval.

4. Professional Staff

IDL staff consists of trained professionals and technical experts in various fields, such as forestry, range, real estate, minerals, oil & gas, fire, accounting, finance, procurement, GIS, IT, and other specialties. IDL staff members who are involved with management of Endowment Assets or related accounting or financial management are fiduciaries.

5. Use of Outside Experts

IDL may use outside experts at its discretion and the Land Board's discretion. IDL may use the Land Board's expert advisors when in need of the special expertise provided by the advisors and when the use of a specific advisor will not conflict with the Land Board's use of the advisor. IDL may review information and recommendations provided to the Land Board by outside experts including the Commercial Real Estate Investment Advisor, Commercial Real Estate Broker, Land Acquisition Advisor(s), and the Land Investment Advisor(s). The chart in [Appendix D](#) below depicts the relationship between the Land Board, IDL, and outside experts.

D. Role of the Legislature

The Idaho Legislature is responsible for the following:

- Enacting laws to establish the methodology for restoring losses to the Public School and Agricultural College funds.
- Appropriating Earnings Reserve Funds for operation of IDL and EFIB.
- Considering approved endowment distributions in setting beneficiary appropriations.
- Establishing the statutory structure for administration of endowment assets that is consistent with the nature of the trusts and the constitutional duties of the Land Board.

VII. Asset Class Policies for Land Assets

A. Investment Objective for the Land Assets

The primary objective for the Land Assets is the generation of maximum long-term return at a prudent level of risk using traditional land grant asset types. The Land Assets diversify the Financial Assets given the low correlations of timberland and rangeland to public capital markets. The Land Assets also lower the volatility of the total investment portfolio considering timberland and rangeland returns have historically exhibited lower volatility than equity asset classes. During periods of negative financial returns, Land Assets can provide a positive revenue stream to help maintain Earnings Reserves and stable Endowment distributions.

Investment objectives are long-term return objectives. The investment objective for the land portfolio recognizes that timberland is a primary driver of the overall return for land and that income from timberland and, to a lesser degree, all other lands are the primary generator of investment returns. The individual investment objectives for timberland, rangeland, and farmland reflect the long-term investment characteristics (return, correlation, and volatility) compared to other asset classes. Investment objectives also consider the existing base of land holdings along with management constraints, notably sales restrictions, acreage limitations, and the rent-setting and leasing processes. The return objectives should not be viewed in isolation but in relationship to one another.

The Land Assets are managed to achieve a real net return target of at least 3% over a long-term holding period (Land Assets Return Objective). The Land Assets Return Objective includes both income and appreciation, is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit), and net of inflation as measured by the Consumer Price Index. While the Land Assets Return Objective includes both income and appreciation, the return is expected to be generated primarily from income.

Specific investment objectives and guidelines for each land category are summarized below. The Land Board shall review periodically its expectations for the land categories and assess how the updated expectations affect the probability that the Endowment will achieve the established investment objectives.

B. Key Elements of the Land Strategy

1. Active and Profitable Management

Land Assets are actively managed based on profitability, which means that some parcels will be managed more intensively than others. The portfolio is managed by IDL and, except in unusual circumstances, no external managers are used. Active management includes the following primary activities:

- Maximize net income while protecting and enhancing the long-term value and productivity of the Land Assets. (IDL shall produce a quarterly income statement which allows for evaluation of

income versus management and operating expenses by trust beneficiary, program, and asset class as a way to evaluate returns and profitability.)

- Acquire, through purchase or trade, land whose expected risk adjusted return meets or exceeds the return objectives outlined in this Statement and whose uses are aligned with IDL's management expertise.
- Dispose, through sale or trade, land whose expected long-term return does not meet the return objectives outlined in this Statement.
- Make incremental investments to enhance the value of existing assets when the expected risk adjusted return is favorable.

2. Leverage is Prohibited

Debt is not used in acquisition of Land Assets. All assets are unencumbered by debt.

3. Diversification

There is limited ability to diversify the Land Assets by geography, land type, investment style, investment manager (IDL is the sole manager), or vintage year since most Land Assets were acquired at statehood. Diversification of income source shall be pursued by encouraging multiple bidders for timber sales. There is limited opportunity to actively diversify the tenant base in rangeland, commercial real estate, residential real estate, farmland, and other land types that are leased since leases are simply awarded to the highest bidder.

Timberland shall be managed for age class and species diversity across the timberland asset to maximize long-term returns. An individual timber stand may have trees of similar age, but other timber stands represent other age classes, ensuring a relatively even flow of forest products over time. An even flow of various forest products is considered a priority to maintain a vibrant and diverse customer base to maximize the sale prices of timber over time and resulting income distributions. Offering a variety of timber sale sizes, types, and locations across the state also helps to maintain a diverse customer base. Geographic diversity of the land base and intensive forest management provide some protection against catastrophic fire, disease, and insect outbreak.

4. Illiquidity and Rebalancing

Land Assets represent a large part of the total Endowment portfolio and are illiquid compared to publicly traded equities. Strategic rebalancing to maintain the total Endowment portfolio within the desired asset allocation ranges will be actively pursued where possible through sales, exchanges, and acquisitions. However, constitutional and statutory requirements regarding land sales and exchanges limit the ability to rebalance the Land Asset portion of the portfolio.

C. Timberland

1. Definition

Timberland is defined as land capable of growing successive crops of commercial forest products for harvest.

2. Overall Financial Objective and Benchmark

The return on timberland comes from biological growth, upward product class movement, timber price appreciation and land price appreciation. The overall objective of timberland investments is to attain a real net income return of at least 3.35% over a long-term holding period. The net ~~income~~ return target is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), and net of all fees and costs of program management (e.g., legal and audit). ~~Timberland (and real net income) is expected to appreciate over time at the rate of inflation, as measured by the Consumer Price Index. An appreciation target is not as relevant as the income return target since timberland cannot be sold and the appreciation component cannot be realized.~~

3. Allowable Investments

Timberland in Idaho and investments in timberland improvements, including but not limited to planting seedlings, spraying, pre-commercial thinning, fertilization, intermediate silvicultural treatments, road construction, and maintenance projects are allowed, as are investments in easements or other means of achieving cost-effective access to productive timberlands.

New timberland acquisitions shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the following:

- If the expected financial return generated by income exceeds the minimum hurdle rate of 3.2535% real net;
- Whether the return profile is sufficient relative to the risk taken, including an analysis of the transaction in terms of long-term financial return and risk to the Endowment;
- Whether the transaction would facilitate improved management or improve the overall Endowment land ownership pattern in the area;
- The existence of any potential risks, including but not limited to environmental or title-related issues.

Parcels posing any significant risk as described in the due diligence analysis and those not meeting the minimum hurdle rate shall be avoided. The presence of minerals including sand and gravel can enhance the net return from timberland. Land Bank funds used for acquisition can only to be used on behalf of the endowment from which the funds originated. The minimum return requirement for new investments will be reviewed and updated as necessary based on the Strategic Reinvestment Plan.

New investments in timberland must be owned 100% by the endowment. Joint ventures are not allowed. Acquisition of land with a conservation easement in place is allowed provided the Land Board has full decision-making authority regarding implementation of land management practices.

4. Considerations

Idaho Code § 58-133 requires that all state-owned lands classified as chiefly valuable for forestry, reforestation, recreation, and watershed protection be reserved from sale and set aside as state forests. Timberland can be exchanged but only for other timberland.

IDL has an established public involvement process, approved by the Land Board, which requires that annual timber sale plans be published and public comment opportunities be made available. Small sales (less than 1,000,000 board feet or less than \$150,000 in value) and salvage sales are exempt from the policy.

5. Management

Timberland is directly managed by IDL. Management shall comply with all applicable laws, such as the Idaho Forest Practices Act. Management objectives include the following:

- Manage the timberland asset prudently, efficiently, and with accountability to the beneficiaries.
- Reduce risk and increase prospects for sustainable annual income.
- Achieve a rate of return consistent with policy objectives.
- Produce forest products that meet market demands.
- Identify and acquire additional timberlands that maintain or enhance the value of the timberland asset class.
- Identify and dispose of or transition underperforming timberland assets to increase economic performance and improve land asset diversity.
- Achieve financial and forest health objectives identified in the Asset Management Plan and the Forest Asset Management Plan.

6. Valuation

The land expectation value (LEV) method (constant real annual cash flow / real annual discount rate) approach or other commercially acceptable methods approved by the Land Board shall be used for the valuation of the timberland asset class. The timberland asset class shall be valued using the LEV method every three years by an independent expert for the purpose of calculating program returns, not for the purpose of acquisition or disposition of specific timberland parcels. MAI appraisals must be used for valuation of individual parcels in the event of an exchange.

7. Monitoring Standards

IDL will report cash flows for the timberland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation (based on LEV), and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent valuation will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

D. Rangeland

1. Definition

Rangeland is defined as lands supporting natural vegetation—generally grasses, forbs, and small brush suitable for grazing by domestic livestock and wildlife.

2. Overall Financial Objective and Benchmark

The overall objective of rangeland investments is to attain a positive real net return ~~of at least 0.3%~~ over a long-term holding period. ~~The 0.3%~~The positive real net rate of return includes primarily income and is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit) and net of inflation as measured by the Consumer Price Index. Given its low expected return, rangeland is not an institutional asset class.

3. Allowable Investments

~~Selective investment in Idaho rangeland is allowed, subject to the desired asset allocation and the recommendations of the Callan Report.~~ Additional investment may take the form of investments in rangeland improvements and easements or other means of access to improve productivity. Rangeland improvements refers to actions that improve the manageability and productivity of the asset including but not limited to fencing, weed control, access improvement, and water development.

New investments shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the following:

- If the expected financial return generated by income exceeds the minimum hurdle rate of a 3.535% real net return;
- Whether the return profile is sufficient relative to the risk taken, including an analysis of the transaction for long-term financial return and risk to the Endowment;
- Whether the transaction would facilitate improved management or improve the overall Endowment land ownership pattern in the area;
- The existence of any potential risks, including but not limited to environmental or title-related issues.

Parcels posing any significant risk as described in the due diligence analysis and those not meeting the minimum hurdle rate shall be avoided. Land Bank funds used for acquisition can only to be used on behalf of the endowment from which the funds originated. The minimum return requirement for new investments will be reviewed and updated as necessary based on the Strategic Reinvestment Plan.

4. Considerations

Idaho Code § 58-138 requires that the written agreement of a lessee be obtained prior to entering into an exchange involving leased lands.

Rangeland may be sold or exchanged subject to acreage limitations—a lifetime maximum of 320 acres may be sold to any one individual, company, or corporation. For rangeland, this limitation is a significant barrier to repositioning or reducing the size of the rangeland portfolio given its size at over 1.4 million acres. Any disposal of rangeland should consider its optionality for future conversion to a higher and better use, including reclassification and potential mineral extraction. Some endowments are restricted to a lifetime maximum of 160 acres sold to any one individual, company, or corporation. Article IX of the Idaho Constitution describes the limitations on the sale of endowment land.

5. Management

Rangeland is directly administered by IDL. Livestock forage productivity and availability varies significantly across the state due to factors such as climate, vegetation types, topography, and access to water. Some Endowment parcels are of sufficient size and productivity to stand alone as a grazing unit; however, most are managed in a manner consistent with adjoining federal and private lands because of normal livestock and grazing management practices. Some rangeland parcels are leased in combination with timberland uses. The presence of minerals such as sand and gravel can enhance the net return from rangeland. Management objectives for rangeland include the following:

- Manage the rangeland asset prudently, efficiently, and with accountability to the beneficiaries.
- Develop and manage long-term grazing leases that achieve a rate of return consistent with policy objectives and market rates.
- Identify and dispose of or transition underperforming rangeland assets to increase economic performance and improve land asset diversity.
- Minimize contractual and environmental risks.
- Identify programmatic or statutory changes that maximize income.
- Achieve objectives identified in the Asset Management Plan and the Grazing Program Business Plan.

6. Valuation

The land expectation value (LEV) method (constant real annual cash flow/real annual discount rate) approach shall be used for the valuation of rangeland. Rangeland shall be valued using the LEV method every three years by an independent expert. MAI appraisals must be used for individual parcels in the event of an exchange or sale.

7. Monitoring Standards

IDL will report cash flows for the rangeland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

E. Residential Real Estate

1. Definition

Idaho has leased residential sites since 1932. These properties are vacant endowment land where lessees are authorized to construct and own improvements, typically cabins and single-family homes.

[Parcels in asset classes such as timberland and rangeland may transition to residential real estate and be reclassified as development occurs in the vicinity.](#)

2. Overall Financial Objective and Benchmark

Leases shall be at least 4% of the appraised value [depending on the length of the lease term.](#) The overall objective of residential real estate investments is to attain, for each sale, net distributions to the

endowment that are at or above appraised value and cover all costs of the sale and internal management costs.

3. Allowable Investments

The Land Board and IDL are implementing a disposition strategy for the residential portfolio subject to a long-term plan that was approved in December 2010 and subsequently revised in 2016. Future investment in cottage sites is not allowed with the exception that current land may be transitioned to ~~cottage site lots~~ [residential real estate](#) ~~and sold~~.

4. Considerations

While the Land Board has directed a disposition strategy for the residential portfolio, complete disposition is unlikely in the next five years. The viability of an ongoing lease program, with consideration of ongoing related expenses, shall be evaluated by IDL and reviewed by the Land Board as the current disposal process is completed.

5. Management

Cottage sites are directly managed by IDL. Management objectives include the following:

- Execute the approved Cottage Site Plan to unify the estate in a business savvy manner to maximize return to the endowments.
- For the duration of the cottage site leasing program, develop and manage residential leases that appropriately compensate the endowments.
- Identify additional high-value (undeveloped) residential ~~sites~~ [real estate](#) for potential auction to maximize return to the endowments.
- Identify and transition residential ~~sites~~ [real estate](#) that may return more value to the trust if transitioned to a higher and better use.

6. Valuation

All properties will be appraised to establish lease rates prior to sale. Until reappraisal, existing appraisal data will be used for valuation of the asset class.

7. Monitoring Standards

IDL will report cash flows for the residential real estate asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

F. Farmland

1. Definition

Farmland is defined as land under cultivation or capable of being cultivated. The farmland asset includes lands used for cultivating grains, vegetables, and hay, as well as vineyards and orchards.

2. Overall Financial Objective and Benchmark

The overall objective of farmland investments is to attain a real net return of 4% over a long-term holding period. The rate of return includes both income and appreciation, is net of all asset level expenses and fees, net of internal management costs (e.g., the cost of IDL management), net of all fees and costs of program management (e.g., legal and audit), and net of inflation as measured by the Consumer Price Index.

3. Allowable Investments

Investments in Idaho farmland, improvements such as irrigation or structures, and easements or other means of access to productive farmlands are allowed. New investments in farmland are not anticipated; however, opportunistic purchases will be considered. New investments shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine if the expected financial return from income and appreciation exceeds the minimum hurdle rate of 4.5% real net and whether the return profile is sufficient relative to the risk taken. The due diligence process includes an analysis of to analyze the transaction in terms of long-term financial return and risk to the Endowment and determines the existence of any potential risks including but not limited to environmental or title-related issues. Parcels posing any significant risk as described in the due diligence analysis and those not meeting the minimum hurdle rate shall be avoided. Land Bank funds used for acquisition can only to be used on behalf of the endowment from which the funds originated. The minimum return requirement for new investments will be reviewed and updated as necessary based on the Strategic Reinvestment Plan.

Investments in farmland must be owned 100% by the Endowment. Joint ventures are not allowed. Acquisition of land with a conservation easement in place is allowed provided the Land Board has full decision-making authority regarding implementation of land management practices.

4. Considerations

Farmland may be sold or exchanged subject to acreage limitations—a lifetime maximum of 320 acres may be sold to any one individual, company, or corporation (160 acres for the University endowment). Article IX of the Idaho Constitution describes the limitations on the sale of endowment land.

5. Management

The asset class is directly managed by IDL through agriculture leases which may be cash, crop share, or flex with adjustment based on yield or price. Some agriculture parcels are leased in combination with grazing uses. Management objectives include the following:

- Achieve return consistent with policy objective.

- Focus on income and current cash yield through the management of existing properties. Cash lease structure will be preferred.
- Enroll endowment lands in federal agricultural programs when appropriate.
- Achieve objectives identified in the Asset Management Plan for Endowment Assets (and any related plans developed) and the Farmland Program Business Plan.

6. Valuation

The portfolio will be valued using NASS Farmland Data. This is appropriate as farmland holdings are a small portion of the Endowment Assets. All properties shall be valued by an MAI appraiser prior to sale.

7. Monitoring Standards

IDL will report cash flows for the farmland asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be used adjusted for capital expenditures, sales, and acquisitions during the reporting period.

G. Idaho Commercial Real Estate

1. Definition

Idaho Commercial Real Estate is a discrete portfolio of office buildings, parking lots, retail, and other [transition land](#) properties located in Idaho.

2. Overall Financial Objective and Benchmark

The majority of the Idaho Commercial Real Estate portfolio was sold as recommended by the Commercial Real Estate Advisor and approved by the Land Board in February 2016. Of the properties identified in the 2016 sales plan that did not sell, IDL will continue to pursue prudent disposition as recommended. Certain properties may be retained by the Land Board for strategic purposes. [Additional properties may transition to the commercial real estate portfolio from other asset classes.](#)

3. Allowable Investments

Effective December 2014, no new Idaho Commercial Real Estate properties may be acquired. There may be expenditures to maintain or re-position existing properties in preparation for sale or lease. Leasing of existing endowment lands for commercial and industrial purposes [will continue, as will transition of lands into commercial real estate from other asset classes.](#) ~~will continue.~~

4. Management

The portfolio is overseen by IDL and managed primarily through outside agents, including hiring and oversight of property managers and leasing agents, approving leases and budgets, approving capital expenditures, and executing capital plans. The Commercial Real Estate Advisor may be used to assist in advising, hiring, and managing property managers.

5. Valuation

All properties will be valued by appraisal prior to sale. In the interim, the value established by the Commercial Real Estate Advisor will be used for performance measurement and evaluation purposes.

6. Monitoring Standards

IDL will report cash flows for the commercial real estate asset class to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. Property will be valued using a combination of appraised values and values established by the Commercial Real Estate Advisor. The most recent independent value will be adjusted for capital expenditures, sales, and acquisitions during the reporting period.

H. Minerals/Oil & Gas

1. Definition

Mineral resources are concentrations of materials that are of economic interest in or on the crust of the earth. Oil and gas reserves and resources are defined as volumes that will be commercially recovered in the future.

2. Overall Financial Objective and Benchmark

The asset class will be managed prudently to maximize financial return while complying with all applicable laws and regulations. Royalty payments are transferred to the Permanent Fund while other payments, such as lease or bonus payments, go to the Earnings Reserve Fund.

3. Allowable Investments

Acquisition of mineral rights together with or independent of surface rights is allowed. Acquisition of mineral rights together with surface rights is preferred to avoid a split estate. Acquisition of mineral rights is expected to occur primarily through land exchanges.

4. Management

The asset class is directly managed by IDL, and management shall comply with all applicable federal and state statutes, such as the federal Clean Water Act, Idaho Surface Mining Act, Oil and Gas Conservation Act, and Idaho Dredge and Placer Mining Protection Act. Management objectives include the following:

- Manage the mineral asset prudently, efficiently, and with accountability to the endowments.
- Minimize contractual and environmental risks associated with extractive industries.
- Lease lands for potential mineral products that capitalize on market demands.
- Retain mineral rights when land parcels are disposed.
- Seek opportunities to unify the mineral estate.
- Identify programmatic or statutory changes that maximize income from mineral assets.

5. Valuation

The value of Idaho's mineral estate is unknown at this time. Determining the type and volume of locatable minerals in Idaho could be achieved with a cooperative effort between the Idaho Department of Lands, Idaho Geological Survey, and the mineral industry.

6. Monitoring Standards

IDL will report cash flows for the minerals asset class to the general consultant for performance reporting purposes. All net income calculations will be net of all fees and expenses of managing the asset class. Because receipts from minerals extracted flow directly to the Permanent Fund, they are not included in IDL's report of return on assets. The receipts are reported in IDL's annual report.

I. Transition of Lands

1. Definition

Lands within traditional asset classes already owned by the Endowment may become suitable for a higher and better use than the current asset classification. Often these properties exhibit high property values and low annual revenues (~~underperforming~~) and may be encroached upon by urban development. The major data sources used to identify lands suitable for transition may include:

- Appraised values above the value normally indicative of the current use.
- Regional land-use planning studies.
- Resource trends and demographic changes.

2. Overall Financial Objective and Benchmark

The objective for lands identified as potential transition lands will be to lease the parcels, typically for commercial and/or industrial uses, or sell the parcels. Evaluation of the options for lease or sale will be completed on a case-by-case basis. Once the land is transitioned, it will be included under the predominant revenue producing asset class.

3. Allowable Investments

Lands suited for transition are those currently owned by the endowments. Lands should not be acquired where the primary reason for acquisition is transition, [though transition lands may exist within an acquisition](#). In select cases, improvements such as obtaining zoning and other entitlements may be pursued for ground leasing purposes, to maximize value, or to ready the parcel for sale.

Investment in improvements shall be subject to a thorough due diligence process (by IDL or a land advisor, consistent with the established governance structure) to determine the long-term financial return and risk to the Endowment; whether the return profile is sufficient relative to the risk taken; whether the transaction would facilitate improved management; and the existence of any potential risks including but not limited to environmental or title-related issues. Investments in improvements posing any significant risk as described in the due diligence analysis shall be avoided.

4. Management

Transitional activities will focus first on land at the high-end of market values (best markets) and then on land possessing best market potential within the next five to ten years (emerging markets). Transition plans will identify land holdings in the best markets, identify emerging markets, and, to the extent practical, parcels held in these markets. Land holdings in the best markets will also include a plan for achieving value potential. Timely disposition of parcels suitable for transition will be a management objective to increase asset value and, where the parcels are not income-producing, reduce their “drag” on performance.

Underperforming assets may also present transition opportunities. IDL will identify and analyze such lands to determine the best solution to resolve the underperformance. Such analysis will consider:

- Whether management costs can be minimized;
- Whether the lands can be managed differently to increase performance;
- Whether the parcel has the potential for a higher and better use; and
- Whether the endowment is the best long-term owner of the asset.

5. Valuation

Properties suitable for transition will be valued based on the traditional asset class to which they belong or as transitioned. Properties will be valued by appraisal prior to sale or on a predetermined schedule pursuant to the terms of the lease or other approved plan.

6. Monitoring Standards

IDL will report cash flows for the lands suitable for transition, together with the asset class in which the lands currently exist, to the general consultant for performance reporting purposes. Lands with potential for transition currently classified as rangeland will be monitored and reported as part of the rangeland asset class. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. The most recent independent value will be used adjusted for capital expenditures, sales, and acquisitions during the reporting period.

J. Land Bank

1. Definition

The Land Bank Fund (Land Bank) exists to hold the proceeds from the sale of state endowment land (pending the purchase of other land) or to transfer to the Financial Assets for the benefit of the endowment beneficiaries, per Idaho Code § 58-133.

2. Overall Financial Objective and Benchmark

The Land Board does not control the investment of the funds held in the Land Bank. The Land Bank is invested by the State Treasurer under a financial objective or benchmark established by the Treasurer.

3. Considerations

Funds deposited in the Land Bank, including interest, are continually appropriated to the Land Board. If the funds have not been utilized for land acquisition within five years, they are transferred to the Permanent Fund of the appropriate endowment unless the five-year time limit is extended by the legislature.

Land Bank funds may be used to acquire lands within traditional asset classes. Land Bank funds may also be used to secure access to endowment lands through purchase of easements or parcels of land. When purchasing a parcel of land ~~in order~~ to obtain access, the acquired parcel may in some cases produce minimal financial return. An easement may represent an expense without any resulting income directly related to the acquisition. In those cases, the evaluation of the acquisition and the projected returns would consider the additional net income that can be attributed to the access secured, rather than the financial return of only the access parcel.

4. Allowable Investments

Land Bank funds are invested by the State Treasurer in the IDLE pool. IDLE funds are invested according to the IDLE Investment Policy.

5. Management

IDL, in its capacity as the administrative arm of the Land Board, manages deposits to and withdrawals from the Land Bank. Fees for investment management are deducted by the Treasurer.

6. Valuation

The Land Bank is valued by the State Treasurer.

7. Monitoring Standards

IDL will report balances and cash flows for the Land Bank to the general consultant for performance reporting purposes. The reporting will follow institutional reporting standards and conventions. Income, appreciation, and total return shall be calculated by the general consultant. All return calculations will be net of all fees and expenses of managing the asset class. Transaction history will be used to account for expenditures and deposits into the Land Bank. For purposes of transparency, the balance in the Land Bank shall be reported as a contingent asset in the notes of the financial statements for the Financial Assets.

VIII. Distribution Policy

A. Objectives

The ultimate purpose of Idaho's land grant endowments is to provide a perpetual stream of income to the beneficiaries. To guide the determination of future distributions for Idaho endowments, the following objectives, in priority order, are established by the Land Board:

- Avoid reductions in total endowment distributions.

- Maintain adequate Earnings Reserves to protect distributions from temporary income shortfalls.
- Grow distributions and permanent corpus faster than inflation and population growth.

B. Considerations

In determining distributions, the Land Board, with assistance from EFIB, considers the following for each endowment:

- Actual and expected return on the fund and income from the land.
- Expected volatility of fund and land income.
- Adequacy of distributable reserves to compensate for volatility of income.
- Each beneficiary's ability to tolerate declines in distributions.
- Need for inflation and purchasing power protection for future beneficiaries.
- Legal restrictions on spending principal.

C. Policy Description

Based on the above objectives and considerations and the expected returns of the entire portfolio (lands and funds), the Land Board establishes the following Distribution Policy:

- Distributions are determined individually for each endowment (currently 5% for all endowments except State Hospital South at 7%).
- Distributions are calculated as a percent of the three-year rolling average Permanent Fund balance for the most recently completed three fiscal years. The Land Board may adjust this amount depending on the amount in the Earnings Reserves, transfers to the Permanent Fund, and other factors.
- The levels of Earnings Reserves deemed adequate for future distributions are:
 - 7 years – All endowments (Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University of Idaho)
- The Land Board may transfer any balance in an Earnings Reserve Fund in excess of an adequate level to the corresponding Permanent Fund and designate whether the transfer will or will not increase the Gain Benchmark.
- The principal of the permanent endowment funds, adjusted for inflation, will never be distributed, to protect the future purchasing power of the beneficiaries.

The Distribution Policy was developed based on many analyses, assumptions, and constraints, and its administration requires interpretation of nuances. EFIB has documented these in the Distribution Principles included in [Appendix F](#).

IX. Monitoring and Reporting

A. Philosophy

The Land Board and its agents shall use a variety of compliance, verification, and performance measurement tools to monitor, measure, and evaluate how well the Endowment Assets are being managed. Monitoring, reporting, and evaluation frequencies shall range from real-time performance to daily, weekly, monthly, quarterly, semi-annual, and annualized performance.

The Land Board seeks to answer three fundamental fiduciary questions through the performance monitoring and reporting system:

- Are the assets being prudently managed? More specifically, are assets being managed in accordance with established laws, policies, and procedures, and are IDL and EFIB (and by extension the EFIB's investment managers) in compliance with established policies and their mandates?
- How have the assets performed relative to Land Board approved investment objectives?
- Are the assets being profitably managed? More specifically, has performance affected distributions positively and advanced security of the corpus?

B. Deviation from Policies

If there is a deviation from Land Board investment policies, the IDL and EFIB staff are required to provide the Land Board with a report explaining how the deviation was discovered, the reasons for the deviation, and the impact on endowment performance, if any, and steps taken to mitigate future instances.

C. Financial Assets

1. Reporting at EFIB Level¹

The EFIB Investment Policy requires that performance reports be generated by the investment consultant at least quarterly and communicated to EFIB staff and the EFIB Board. The investment performance of the total Financial Assets, as well as asset class components, will be measured against commonly accepted performance benchmarks as outlined in the EFIB Investment Policy. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement.

Investment managers shall be reviewed regularly, by EFIB staff and the general fund consultant, regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

¹ EFIB Investment Policy (see [Appendix C](#)). Management and approval of this policy is a duty delegated to EFIB.

2. EFIB Reporting to the Land Board

Each month, EFIB staff will provide the following to the Land Board:

- Investment performance, both absolute and relative to benchmark.
- An evaluation of the sufficiency of Earnings Reserve balances (measured by coverage ratio: reserve balance divided by the distribution).
- A summary of any significant actions by EFIB.
- Any compliance/legal issues, areas of concern, or upcoming events.

Part-way through the fiscal year, typically at the May meeting, EFIB shall provide the Land Board with a brief financial summary of fiscal year-to-date activity.

After the end of the fiscal year, typically at the November meeting, EFIB shall provide the Land Board with the following:

- A financial summary for the recently completed fiscal year.
- The report of the Land Board Audit Committee regarding control deficiencies identified by the independent auditor.
- An update on EFIB's Strategic Plan.
- Investment performance for the fund versus strategic (longer-term) measures.
- A report on EFIB meetings, including number of meetings and attendance.

D. Land Assets

1. IDL Internal Processes

IDL staff shall report to the director using the standard reports as described below that are provided to the Land Board. All of the information is reviewed by the director prior to submission to the Land Board.

Each program administered by IDL is managed by a bureau chief and a program manager. Policies and procedures governing daily activities are in place at the bureau or program level but are generally implemented by operations staff.

Decisions related to routine investment and management decisions are typically made at the area office level (or program level) with review by both the operations chiefs and bureau chiefs, subject to the established governance structure.

In the case of more complex investment and management decisions, staff involvement typically includes area office staff, operations chiefs, bureau chiefs, and executive staff to assure adequate due diligence and independent review. More than one member of the executive staff is likely to be involved in the analysis of the information and the final decision. Where necessary, the director retains final decision-making authority as delegated by the Land Board and described in the established governance structure.

2. IDL Reporting to the Land Board

Each month, IDL reports the following:

- Trust Land Management Division activity and information including timber sale revenue and activity and non-timber revenue and activity.
- Updates for ongoing special projects as needed.
- Legal and compliance issues and their status.
- Information necessary for Land Board review and approval of specific items.

IDL also reports the Land Bank Fund balance to the Land Board quarterly.

As previously described, IDL functions under the authority of the Land Board with the Land Board having final approval of many of IDL's policies and management decisions, up to and including review and approval of the IDL budget request prior to submission.

Each month, IDL brings matters forward for Land Board review and approval. Items are discussed first with senior Land Board staff members then placed on the consent agenda, where routine items may be approved without discussion, or the regular agenda, which addresses policy and programmatic items the Land Board may wish to discuss prior to making a decision.

Certain confidential matters may be presented for the Land Board in executive session at the discretion of the Land Board, pursuant to Idaho Code § 74-206.

IDL also produces an annual report to the Land Board, the state affairs committees of the legislature, as well as the public. IDL's overall strategic plan is updated annually and presented to the Land Board prior to submission to the Division of Financial Management.

The Land Board requires IDL staff to prepare and deliver an Asset Management Plan and Business Plans for each land type that explain how the Land Assets will be managed to achieve the Land Board approved investment objectives. This provides the Land Board a focused opportunity to:

- Question and comment on IDL staff's investment and management plans.
- Request additional information and support about IDL staff's investment and management intentions.
- Express its confidence and approval in the Strategic Plan, Asset Management Plan, and Business Plans.

The Land Board requires certain IDL procedures to be audited every 3-5 years:

- Land Transactions >\$1,000,000 shall be subject to a post-audit every three (3) years, and the Land Board's Land Investment Advisor shall review such post-audit and provide a report to the Land Board.

E. Total Endowment

Performance reports generated by the general consultant shall be compiled annually for review by the Land Board. The investment performance of the Endowment, as well as asset class components, will be measured against performance benchmarks outlined in this Statement of Investment Policy and the EFIB Investment Policy.

X. Key Documents

To assist the Land Board, EFIB Staff, and IDL Staff, the following key documents will be produced or reviewed according to the schedule in Exhibit 2.

Exhibit 2: Key Documents

Document Name	Document Source	Review Schedule
Performance Review of Fund	General Consultant and EFIB Staff	Monthly and Quarterly
Performance Review Total Endowment	General Consultant, IDL Staff, and EFIB Staff	Annually
Statement of Investment Policy	General Consultant, IDL Staff, and EFIB Staff <i>Reviewed by Investment Sub-Committee</i>	Annually
IDL Program Business Plans	IDL Staff	1-5 Years as specified in each plan
IDL Asset Management Plan	IDL Staff	Every 5 Years
Strategic Reinvestment Plan	General Consultant <i>Reviewed by Investment Sub-Committee</i>	Every 3 Years
IDL Strategic Plan	IDL Staff	Annually
Asset Allocation	General Consultant	Every 8 years
Monthly Timber Sale Activity Report	IDL Staff	Monthly
Annual Timber Sale Plan	IDL Staff	Annually
Ten Year Forecast of Land Income	IDL Staff	Annually
IDL Annual Budget	IDL Staff	Annually
EFIB Strategic Plan	EFIB Staff	Annually
EFIB Meeting Report	EFIB Staff	Annually
Audit Committee Report	Audit Committee	Annually

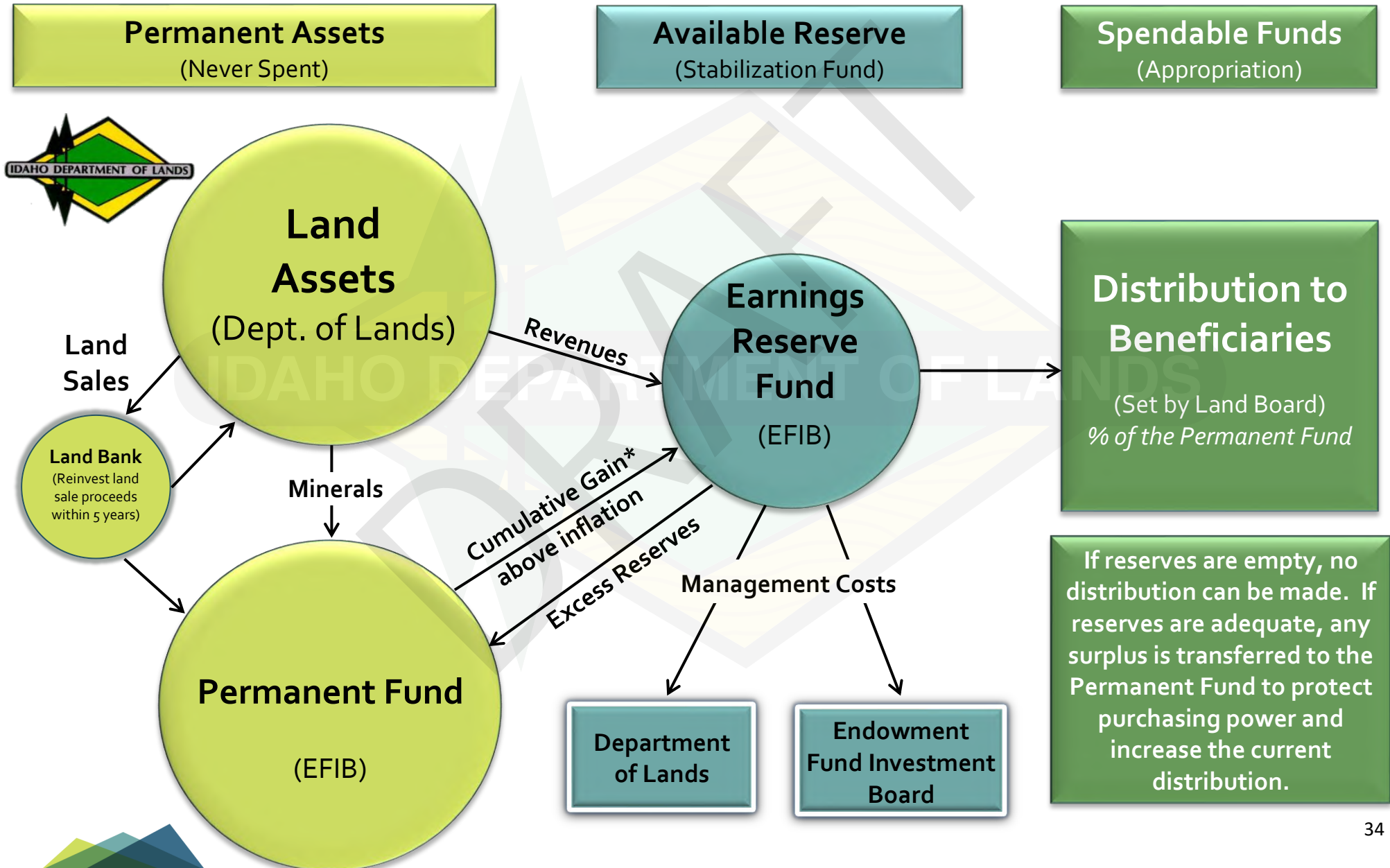
XI. Appendices:

- A. Structure of the Endowment**
- B. Constitution and State Statutes**
- C. EFIB Investment Policy**
- D. Use of External Advisors**
- E. Decision-Making Structure Chart**
- F. EFIB's Distribution Principles**



IDAHO DEPARTMENT OF LANDS

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS



B. Constitution and State Statutes

Constitution of the State of Idaho

[ARTICLE IX](#) EDUCATION AND SCHOOL LANDS

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C. EFIB Investment Policy

ENDOWMENT FUND INVESTMENT BOARD

D. Commingled Pool Investment Policy

Date Established: 2000

Last Reviewed: February 2022

Last Revised: February 2022

This Statement of Investment Policy is applicable to:

Public School Permanent Fund and Earnings Reserve Fund

Agricultural College Permanent Fund and Earnings Reserve Fund

Charitable Permanent Fund and Earnings Reserve Fund

Normal Schools Permanent Fund and Earnings Reserve Fund

Penitentiary Permanent Fund and Earnings Reserve Fund

School of Science Permanent Fund and Earnings Reserve Fund

State Hospital South Permanent Fund and Earnings Reserve Fund

University Permanent Fund and Earnings Reserve Fund

Capitol Permanent Fund and Maintenance Reserve Fund

Department of Environmental Quality Bunker Hill Endowment Fund Trust

Department of Environmental Quality Asarco Endowment Fund Trust

Department of Environmental Quality Hecla Endowment Fund Trust

Department of Fish & Game Southern Idaho Mitigation Endowment Trust

Department of Fish & Game Craig Mountain Wildlife Mitigation Trust

Department of Fish & Game Blackfoot Wildlife Mitigation Trust

[Department of Fish & Game North Idaho Wildlife Mitigation Trust](#)

[Department of Fish & Game North Idaho Wildlife Mitigation Operational Trust](#)

[Department of Parks & Recreation Ritter Island Endowment Fund](#)

[Department of Parks & Recreation Trail of the Coeur d'Alene's Endowment Fund](#)

[Idaho Department of Lands - Forest Legacy Stewardship Endowment Funds](#)

Statement of Philosophy

[This statement of investment policy is set forth by the Endowment Fund Investment Board \(EFIB\) to:](#)

- [Define and assign the responsibilities of all involved parties;](#)
- [Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets;](#)
- [Offer guidance and limitations to all involved parties regarding the investment of Fund assets;](#)
- [Establish a basis for evaluating investment results;](#)
- [Manage Fund assets according to prudent standards as established in common trust law; and,](#)
- [Establish the relevant investment horizon for which the Fund assets will be managed.](#)

Statement of Investment Policy

[To assure continued relevance of the guidelines, objectives, financial status, and capital market expectations as established in this statement of investment policy, the EFIB will review the policy annually.](#)

Investment Objectives

[In order to meet its objectives, the investment strategy of the EFIB is to emphasize total return; that is, the aggregate return from capital appreciation, dividend, and interest income. The primary objectives are:](#)

- [To maintain the purchasing power of the Fund. In order to maintain fair and equitable inter-generational funding, state statute has mandated that the real value of the corpus be protected from inflation;](#)
- [To maximize total return over time at an acceptable level of risk;](#)
- [To provide relatively smooth and predictable distributions to the beneficiaries; and](#)
- [To maintain sufficient liquidity for anticipated expenditures.](#)

General Investment Principles

- Investments shall be made solely in the interest of the beneficiaries of the Funds;
- The Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims;
- Investment of the Funds shall be diversified as to minimize the risk of large permanent losses.
- The EFIB will employ one or more investment managers of varying styles and philosophies to support the Funds' objectives;
- Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return; and,
- The investment manager(s) should, at all times, be guided by the principles of "best price and execution" and that the Funds' best interests are the primary consideration.

Assignment of Responsibility

- Responsibility of the Manager of Investments ("MOI") - The MOI serves as a fiduciary and is empowered by the Board to make certain decisions and take appropriate action regarding investment of the Funds' assets. The responsibilities of the MOI include:
 - Developing sound and consistent investment policy guidelines;
 - Establishing reasonable investment objectives;
 - Selecting qualified investment managers after consultation with the EFIB board;
 - Communicating the investment policy guidelines and objectives to the investment managers;
 - Monitoring and evaluating performance results to assure that the policy guidelines are being met;
 - Selecting and appointing custodian(s);
 - Discharging investment managers after consultation with the EFIB board; and,
 - Taking any other appropriate actions.
- Responsibility of the Investment Consultant(s) - The investment consultant shall be hired by the EFIB. The consultant serves as a non-discretionary advisor to the EFIB that confers with staff. The consultant will offer advice concerning the investment management of the Funds' assets. The investment consultant will act as a fiduciary with respect to the services it provides. The advice will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the investment consultant include, but are not limited to:
 - Assisting in the development and on-going review of the investment policy, asset allocation strategy, performance of the investment managers, and designing objectives and guidelines;
 - Supporting portfolio optimization and other investment techniques to determine the appropriate return/risk characteristics of the Funds;
 - Conducting investment manager searches when requested by the MOI;

- Monitoring the performance of the investment manager(s) to provide both the MOI and the Board with the ability to determine the progress toward achieving investment objectives;
 - Communicating matters of policy, manager research, and manager performance to the MOI and the Board;
 - Reviewing the Funds' investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Board.
- Responsibility of the Investment Manager(s) - As a fiduciary, each investment manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in either this statement or in their specific Manager Guidelines.

Delegation of Authority

The MOI is a fiduciary to the EFIB and is responsible for directing and monitoring the investment management of Funds' assets. As such, the MOI is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- Investment Managers - Investment managers hired by the EFIB must be registered with the Securities and Exchange Commission under the Investment Act of 1940, unless inapplicable, or in the case of a banking organization with the Office of the Comptroller of the Currency. Investment managers have discretion to purchase, sell, or hold the specific securities that will be used to meet the Funds' investment objectives. This includes mutual fund or any collective fund portfolio managers.
- Custodian - Any custodian hired by the EFIB will maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and affect receipt and delivery following purchases and sales. Any custodian will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts. Any custodian will provide at a minimum monthly reporting of assets and transactions to the MOI and provide the MOI with any additional data requests. Any custodian will administer proxy statements and corporate action claims on behalf of EFIB.

Additional specialists may be employed by the MOI with approval by the EFIB to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The MOI will not have control over investment decisions. Managers will be held responsible and accountable to achieve the objectives outlined in their specific guidelines. While it is not believed the

limitations will hamper investment manager decisions, each manager should request in writing any modifications they deem appropriate.

All expenses for such experts must be customary and reasonable and will be borne by the Funds as deemed appropriate and necessary.

Marketability of Assets

Based on the Fund's long-term liquidity requirements, the EFIB desires securities with readily ascertainable market values that trade in liquid markets but recognizes that some allowable assets are valued less frequently by industry established appraisal methods and may be reported on a lagged basis.

Investment Guidelines

Allowable Assets

Cash Equivalents or other Liquid Assets:

Treasury bills; money market funds; STIF funds; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit.

Fixed Income:

US government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds (agency and non-agency); commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; Sequential pay CMO's; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144 A and Section 4(2) of the Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays Aggregate Bond Index.

Equities:

Common stocks; convertible preferred stocks; preferred stocks; REITS; American depository receipts (ADR's); stocks of non-US companies (ordinary shares);

Real Estate: Domestic, private, open-end, core commingled funds, REITS

ETF's, Mutual or Collective Funds: ETF's, Mutual Funds, and Collective Funds which invest in securities as allowed in this statement or as permitted in Investment Manager Guidelines. Investment managers will advise the MOI of their intent to utilize ETFs prior to their purchase, what specific ETFs they intend to use and the purposes they serve.

Futures, Options and Swaps: The EFIB may approve the use of financial index futures and options in order to adjust the overall effective asset allocation of the entire portfolio or it may use swaps, futures or options to hedge interest rate or currency exposure. For example, S&P 500 and 10-Year Treasury futures are used to equitize idle cash and to passively rebalance the portfolio. Futures and options positions are not to be used for speculation, and the EFIB must specifically approve the program for each type of use. Derivative exposure must have sufficient cash, cash equivalents, offsetting derivatives or other liquid assets to cover such exposures.

Derivatives: Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, and interest rate swaps, among others. The EFIB will take a conservative posture on derivative securities in order to maintain its risk averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in the Investment Manager Guidelines, the Investment Manager(s) must seek written permission from the EFIB to include derivative investments in the Fund's portfolio. The Investment Manager(s) must present detailed written information as to the expected return and risk characteristics of such investment vehicles.

Prohibited Assets

Prohibited investments include, but are not limited to the following:

- Commodities;
- Futures Contracts except as described in previous section “Futures, Options and Swaps”;
- Naked Options;
- Residual Tranche CMOs; and
- Purchases of securities on margin and short-sale transactions are prohibited.

Asset Allocation Guidelines

Investment management of the assets of the commingled endowment pool shall be in accordance with the following asset allocation guidelines:

- Aggregate Fund Asset Allocation Guidelines (at market value)

<u>Asset Class</u>	<u>Range</u>	<u>Target</u>	<u>Rebalance Point</u>	<u>Benchmark</u>
<u>Equities</u>	<u>61% - 71%</u>	<u>66%</u>	<u>+/-5%</u>	<u>MSCI All Country World Index</u>
<u> Domestic Equities</u>	<u>33% - 43%</u>	<u>38%</u>	<u>+/-5%</u>	<u>Russell 3000 Index</u>
<u>Large Cap</u>	<u>22% - 30%</u>	<u>26%</u>	<u>+/-4%</u>	<u>Russell 1000 Index</u>
<u> Growth</u>		<u>5%</u>		<u>Russell 1000 Growth Index</u>
<u> Core</u>		<u>11%</u>		<u>S&P 500 Index</u>
<u> Value</u>		<u>10%</u>		<u>Russell 1000 Value Index</u>
<u>Mid Cap</u>	<u>5% - 11%</u>	<u>8%</u>	<u>+/-3%</u>	<u>Russell Mid Cap Index</u>
<u> Growth</u>		<u>4%</u>		<u>Russell Mid Cap Growth</u>
<u> Value</u>		<u>4%</u>		<u>Russell Mid Cap Value</u>
<u>Small Cap</u>	<u>2% - 6%</u>	<u>4%</u>	<u>+/-2%</u>	<u>Russell 2000 Index</u>
<u> Growth</u>		<u>2%</u>		<u>Russell 2000 Growth Index</u>
<u> Value</u>		<u>2%</u>		<u>Russell 2000 Value Index</u>
<u>International Equities</u>	<u>15% - 23%</u>	<u>19%</u>	<u>+/-4%</u>	<u>MSCI ACWI ex-US</u>
<u> Growth</u>		<u>8%</u>		<u>MSCI ACWI ex-US Growth</u>
<u> Value</u>		<u>8%</u>		<u>MSCI ACWI ex-US Value</u>
<u> Developed Core</u>		<u>3%</u>		<u>MSCI EAFE Index</u>
<u>Global Equity</u>	<u>6% - 12%</u>	<u>9%</u>	<u>+/-3%</u>	<u>MSCI All Country World Index</u>
<u>Real Estate</u>	<u>7% - 13%</u>	<u>10%</u>	<u>+/-3%</u>	<u>NCREIF ODCE Index</u>
<u>Fixed Income</u>	<u>21% - 27%</u>	<u>24%</u>	<u>+/-3%</u>	<u>BB Aggregate Bond Index</u>

<u>Core Plus Bond Active</u>		<u>13%</u>		<u>BB Aggregate Bond Index</u>
<u>Aggregate Bond Index</u>		<u>11%</u>		<u>BB Aggregate Bond Index</u>
<u>Cash and Equivalents</u>		<u>0%</u>		<u>3-month Treasury Bill Index</u>

Rebalancing of Fund Assets

Understanding that different asset classes will perform at different rates, the MOI and the investment consultant will closely monitor the asset allocation shifts caused by performance. Therefore:

- The MOI will review the relative market values of the asset classes whenever there is to be a net contribution to the Fund and will generally place the new monies under investment in the category(ies) which are furthest below the target allocation in this policy and/or use the opportunity to rebalance the portfolio; and,
- The MOI and investment consultant will review the asset allocation quarterly and during periods of severe market change to assure that the target allocation is maintained. If an asset class is outside the allowable range, the MOI, with input from the investment consultant, will take appropriate action to redeploy assets taking into account timing, costs, and other investment factors.

Guidelines for Fixed Income Investments and Cash Equivalents

- The average credit quality of the fixed income portfolio must be investment grade or higher. Individual fixed income securities may be rated below investment grade.
- The average duration of the fixed income portfolio may range from 2-8 years.
- Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

Investment Performance Review and Evaluation

Performance reports generated by the investment consultant shall be compiled at least quarterly and communicated to the EFIB for review. The investment performance of the total Fund, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The EFIB intends to evaluate investment managers over at least a three-year period.

Each manager shall maintain a portfolio consistent with characteristics similar to those of the composite utilized for their retention. Investment performance will be measured on a total return basis, which is defined as dividend and interest income plus realized and unrealized capital gains. Each manager will be evaluated in part by regular comparison to a peer group of other managers employing statistically

similar investment style characteristics. It is expected that each manager will perform above the peer group median and the appropriate index over rolling three-year periods with respect to both return and risk.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. The EFIB reserves the right to terminate a manager for any reason.

GASB 40 Reporting Requirements

Purpose: The Governmental Accounting Standards Board has identified that state and local governments have deposits and investments which are exposed to risks that may result in losses. GASB Statement number 40 (GASB 40) is intended to inform users of the financial statements about the risks that could affect the ability of a government entity to meet its obligations. GASB 40 has identified general deposit and investment risks as credit risk, including concentration of credit risk and custodial credit risk, interest rate risk, and foreign currency risk and requires disclosures of these risks and of policies related to these risks. This portion of the Investment Policy addresses the monitoring and reporting of those risks.

In general, the risks identified in GASB 40, while present, are diminished when the entire portfolio is viewed as a whole. Specifically, the risks identified and the measurements required is poorly transferable, if at all, to portfolios like the EFIB, which is dominated by equity exposure.

It is the policy of the EFIB that the risks addressed in GASB 40 are to be monitored and addressed primarily through the guidelines agreed to by those managers, and by regular disclosures in reports by managers of levels of risks that may exceed expected limits for those portfolios.

- Credit Risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations to the EFIB. GASB 40 requires disclosure of credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations.

Policy: The Investment Guidelines section of this Investment Policy provides credit quality and maturity guidelines for fixed income and cash equivalent investments. Managers are required to comply with the Investment Policies set forth by the EFIB.

- Custodial Credit Risk: The risk that in the event of a financial institution or bank failure, the Fund would not be able to recover the value of their deposits and investments that are in the possession of an outside party.

Policy: The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to the EFIB ownership and further to the extent possible, be held in the Fund' name.

- Concentration of Credit Risk: The risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Policy: Managers will provide the EFIB with expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole, staff will report to the Board at a regular Board meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the total EFIB portfolio.

- Interest Rate Risk: The risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk to the EFIB's fixed income portfolio is monitored using the effective duration methodology. Effective duration measures the volatility of the price of a bond given a change in interest rates, taking into account any optionality in the underlying bond.

Policy: Managers will provide the EFIB with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

- Foreign Currency Risk: The risk that changes in exchange rates will adversely impact the fair value of an investment. The EFIB's currency risk exposures, or exchange rate risk, reside within the international equity and fixed income investment holdings.

Policy: The EFIB permits investing up to 40% of the total portfolio in international securities. The EFIB recognizes that international investments (equity or fixed income) will have a component of currency risk associated with them. The individual manager guidelines will outline the expected currency exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs

from the expected, managers are to be required to report these occurrences to Staff, and these disclosures are to be made available to the Board.

ENDOWMENT FUND INVESTMENT BOARD

Commingled Pool Investment Policy

Date Established: ~~2000~~

Last Reviewed: ~~August 2020~~

Last Revised: ~~August 2020~~

This Statement of Investment Policy is applicable to:

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Prohibited investments include, but are not limited to the following:-

- Commodities
- Futures Contracts except as described in previous section "Futures, Options and Swaps";
- Naked Options;
- Residual Tranche CMOs; and
- Purchases of securities on margin and short sale transactions are prohibited.

Asset Allocation Guidelines

Investment management of the assets of the commingled endowment pool shall be in accordance with the following asset allocation guidelines:

Aggregate Fund Asset Allocation Guidelines (at market value)

Asset Class	Range	Target	Rebalance Point	Benchmark
Equities —Domestic Equities	61%—71% 33%—43%	66% 38%	+/-5% +/-5%	MSCI All-Country-World Index Russell 3000 Index
Large-Cap —Growth —Core —Value	22.2%—30.2%	26.2% 5% 11.3% 9.9%	+/-4%	Russell 1000 Index Russell 1000-Growth Index S&P 500 Index Russell 1000-Value Index
Mid-Cap —Growth —Value	4.6%—10.6%	7.6% 3.8% 3.8%	+/-3%	Russell Mid-Cap Index Russell Mid-Cap Growth Russell Mid-Cap Value
Small-Cap —Growth —Value	2.2%—6.2%	4.2% 2.1% 2.1%	+/-2%	Russell 2000 Index Russell 2000-Growth Index Russell 2000-Value Index
International Equities —Growth —Value Developed Markets Index Fund	15%—23%	19% 8.5% 8.5% 2%	+/-4%	MSCI ACWI ex-US MSCI ACWI ex-US-Growth MSCI ACWI ex-US-Value MSCI EAFE Index
Global Equity	6%—12%	9%	+/-3%	MSCI All-Country-World Index
Real-Estate	6%—10%	8%	+/-2%	NCREIF ODCE Index
Fixed Income Core-Plus Bond-Active Aggregate Bond Index —US Tips Index Cash and Equivalents	23%—29%	26% 11% 11% 4% 0%	+/-3%	BB Aggregate Bond Index BB Aggregate Bond Index BB Aggregate Bond Index BB US TIPS Index 3-month Treasury Bill Index

Rebalancing of Fund Assets

Understanding that different asset classes will perform at different rates, the MOI and the investment consultant will closely monitor the asset allocation shifts caused by performance. Therefore:

- The MOI will review the relative market values of the asset classes whenever there is to be a net contribution to the Fund and will generally place the new monies under investment in the category(ies) which are furthest below the target allocation in this policy and/or use the opportunity to rebalance the portfolio; and,
- The MOI and investment consultant will review the asset allocation quarterly and during periods of severe market change to assure that the target allocation is maintained. If an

~~asset class is outside the allowable range, the MOI, with input from the investment consultant, will take appropriate action to redeploy assets taking into account timing, costs and other investment factors.~~

~~Guidelines for Fixed Income Investments and Cash Equivalents~~

- ~~• The average credit quality of the fixed income portfolio must be investment grade or higher. Individual fixed income securities may be rated below investment grade.~~
- ~~• The average duration of the fixed income portfolio may range from 2-8 years.~~
- ~~• Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.~~

~~Investment Performance Review and Evaluation~~

~~Performance reports generated by the investment consultant shall be compiled at least quarterly and communicated to the EFIB for review. The investment performance of the total Fund, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The EFIB intends to evaluate investment managers over at least a three year period.~~

~~Each manager shall maintain a portfolio consistent with characteristics similar to those of the composite utilized for their retention. Investment performance will be measured on a total return basis, which is defined as dividend and interest income plus realized and unrealized capital gains. Each manager will be evaluated in part by regular comparison to a peer group of other managers employing statistically similar investment style characteristics. It is expected that each manager will perform above the peer group median and the appropriate index over rolling three year periods with respect to both return and risk.~~

~~Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. The EFIB reserves the right to terminate a manager for any reason.~~

~~—~~

~~GASB 40 Reporting Requirements~~

~~Purpose: The Governmental Accounting Standards Board has identified that state and local governments have deposits and investments which are exposed to risks that may result in losses. GASB Statement number 40 (GASB 40) is intended to inform users of the financial statements about the risks that could affect the ability of a government entity to meet its obligations. GASB 40 has identified general deposit and investment risks as credit risk, including concentration of credit risk and custodial credit risk, interest rate risk, and foreign currency risk and requires disclosures of these risks and of policies related to these risks. This portion of the Investment Policy addresses the monitoring and reporting of those risks.~~

~~In general, the risks identified in GASB 40, while present, are diminished when the entire portfolio is viewed as a whole. Specifically, the risks identified and the measurements required is poorly transferable, if at all, to portfolios like the EFIB, which is dominated by equity exposure.~~

~~It is the policy of the EFIB that the risks addressed in GASB 40 are to be monitored and addressed primarily through the guidelines agreed to by those managers, and by regular disclosures in reports by managers of levels of risks that may exceed expected limits for those portfolios.~~

- ~~● Credit Risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations to the EFIB. GASB 40 requires disclosure of credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations.~~

~~Policy: The Investment Guidelines section of this Investment Policy provides credit quality and maturity guidelines for fixed income and cash equivalent investments. Managers are required to comply with the Investment Policies set forth by the EFIB.~~

- ~~● Custodial Credit Risk: The risk that in the event of a financial institution or bank failure, the Fund would not be able to recover the value of their deposits and investments that are in the possession of an outside party.~~

~~Policy: The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to the EFIB ownership and further to the extent possible, be held in the Fund' name.~~

- ~~● Concentration of Credit Risk: The risk of loss that may be attributed to the magnitude of a government's investment in a single issue.~~

~~Policy: Managers will provide the EFIB with expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole, staff will report to the Board at a regular Board meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the total EFIB portfolio.~~

- ~~● Interest Rate Risk: The risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk to the EFIB's fixed income portfolio is monitored using the effective duration methodology. Effective duration measures the volatility of the price of a bond given a change in interest rates, taking into account any optionality in the underlying bond.~~

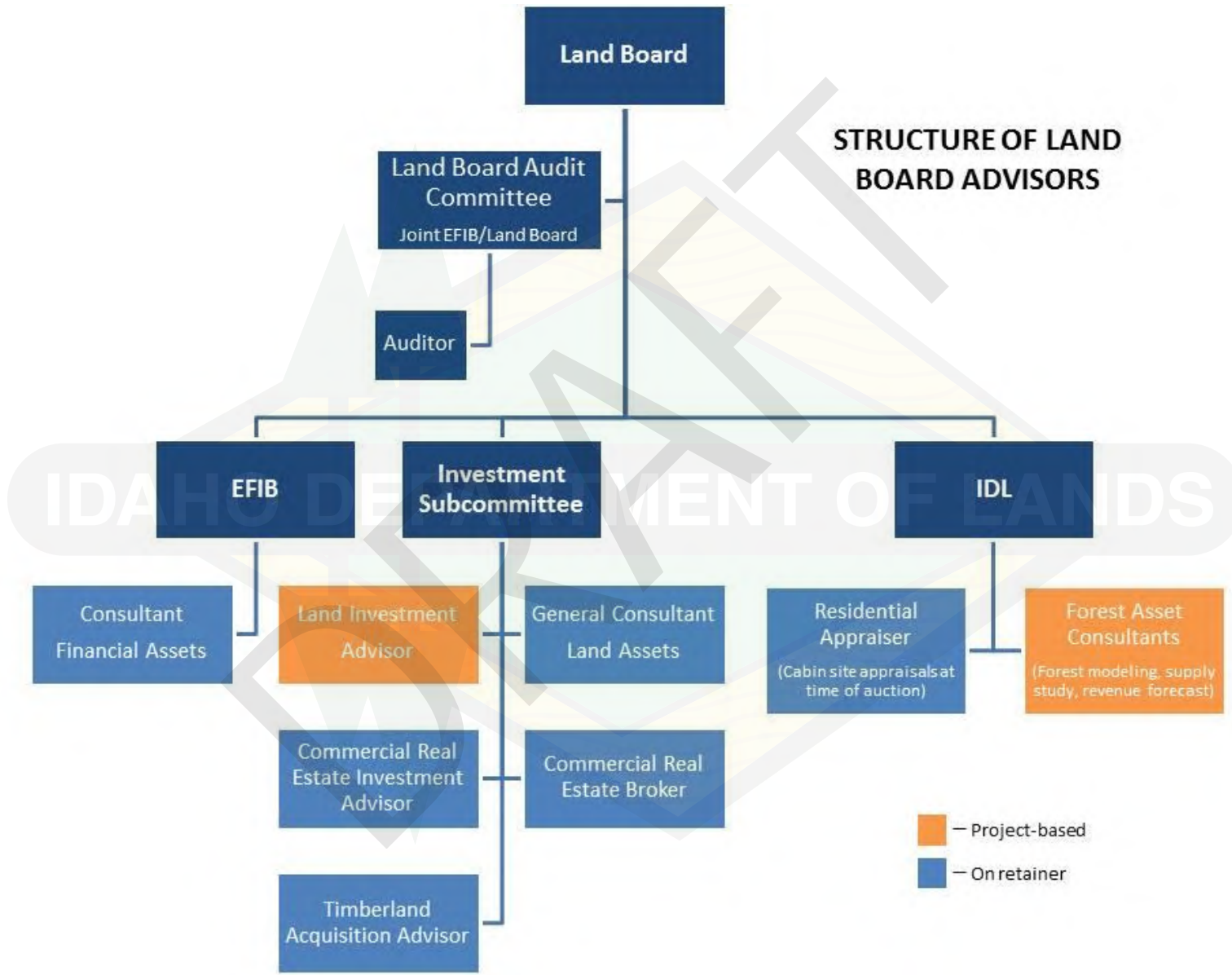
~~Policy: Managers will provide the EFIB with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.~~

- ~~● Foreign Currency Risk: The risk that changes in exchange rates will adversely impact the fair value of an investment. The EFIB's currency risk exposures, or exchange rate risk, reside within the international equity and fixed income investment holdings.~~

~~Policy: The EFIB permits investing up to 40% of the total portfolio in international securities. The EFIB recognizes that international investments (equity or fixed income) will have a component of currency risk associated with them. The individual manager guidelines will outline the expected currency exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs from the expected, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.~~



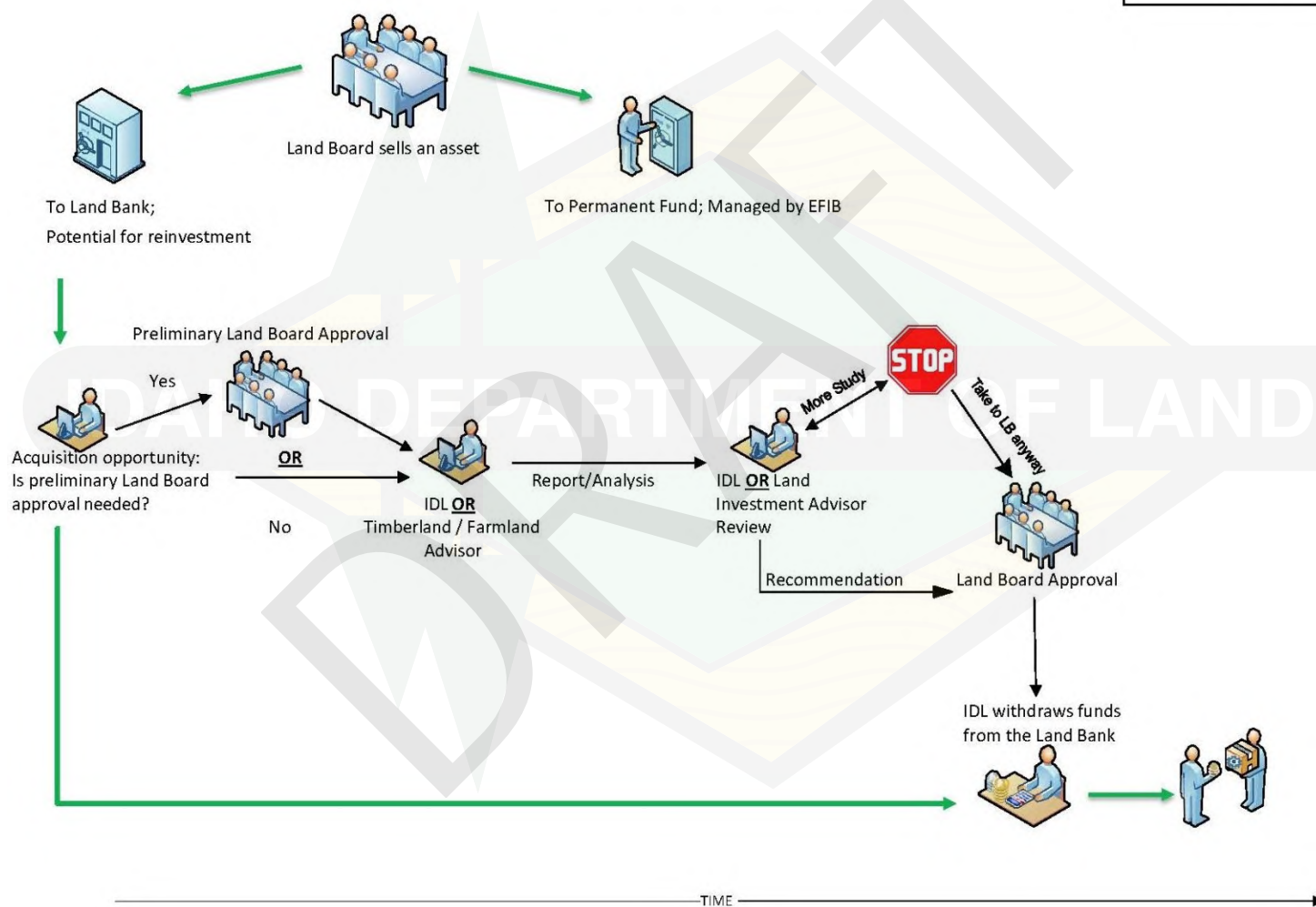
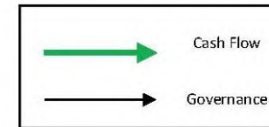
D. Use of External Advisors



E. Decision-Making Structure Chart

10/18/2016

Endowment Assets – Reinvestment in Real Assets *Revised Governance & Cash Flow Model* Other (non-routine) Investments



v1014

G. EFIB's Distribution Principles

Summary of Idaho Endowment Fund Distribution Principles, Policy, and Background

By the Endowment Fund Investment Board – Updated July 17, 2018

Mission of Idaho Endowments: Provide a Perpetual Stream of Incomeⁱ

To achieve this mission, Distribution Policy must balance four conflicting objectives:

- Maximize total return over time at a prudent level of risk
- Provide relatively stable and predictable distributions
- Constrain distributions to protect future generations' purchasing power
- Maintain sufficient liquidity for anticipated expenditures

Priorities for Allocating Income

To balance the interests of current and future beneficiaries, the Land Board established the following priorities for allocating endowment revenues and gains:

- First Priority: Avoid reductions in total endowment distributions
- Second Priority: Maintain adequate Earnings Reserves to protect the current level of distributions from temporary income shortfalls
- Last Priority: Increase both distributions and Permanent Fund corpus faster than inflation and population growth

Distribution Policy Management Principles

- Distribute a conservative estimate of long-term sustainable income every year
- Maintain distributions when income temporarily falls below long-term expectations by saving up income in a reserve when it exceeds expectations
- Grow both distributions and permanent corpus proportionately, more than offsetting losses from inflation and dilution from population growth by reinvesting sufficient income back into principal

Constraints on Wasting Principal (Corpus Growth Objectives)

A major risk any endowment faces is that assets will be depleted to satisfy the beneficiary's current needs at the expense of long-term needs. Many states have succumbed to pressure to spend down their endowment funds. Idaho has several protections in place to mitigate this pressure: ⁱⁱ

- Federal law and state Constitution: Prohibits spending original principal, including the proceeds of land sales
- State statute: Requires that principal grow at least at the rate of inflation before any market appreciation of the Permanent Fund can be considered distributable incomeⁱⁱⁱ
- Land Board policy objective: Requires that principal grow faster than the rate of inflation and population growth^{iv}

Determining Annual Distributions^v

Distributions are initially calculated as a percent (the policy distribution rate^{vi}), multiplied by the Permanent Fund balance^{vii} (three-year-average to partly smooth variation in the equity markets)

- Current policy distribution rates are 5% for all endowments except State Hospital South (7%)

Distributions may be further adjusted, up or down, to reflect the reserve balance (and any other relevant factors):

- If reserves are adequate, distributions are maintained even when the Permanent Fund shrinks (actual rate > policy rate)
- If reserves are not fully sufficient (not at target), distributions are maintained even when the Permanent Fund rises (actual rate < policy rate)
- If reserves are unusually low, distributions may be reduced (actual rate < policy rate)

Honoring Beneficiaries' Strong Preference for Sustainable Distributions

Beneficiaries and legislators clearly indicate that a reduction in distributions (if actual income turns out to be low) is much more difficult for them to adjust to than it is to temporarily forego an increase if actual income turns out higher than a conservative expectation. Therefore, it is prudent to base both the policy distribution rate and the annual distribution on a conservative expectation of fund and land earnings^{viii}.

Determining Transfers to the Permanent Fund^{ix}

Excess income is converted to (transferred to) Permanent Fund corpus when reserves are deemed fully sufficient: i.e., exceed targeted years^x of the planned distribution (six years for Public School and seven years for all other endowments).

Measuring the Balance of Current and Future Beneficiaries' Interests

Over time, balance is achieved when all (and only all) "real" income is distributed.

Balance is specifically measured by the following relationship:^{xi}

- o Actual distributions *plus* growth in reserves
equals
- o Actual income (land & fund), *minus* income converted to principal

Earnings Reserves Serve Two Roles

The Earnings Reserve is not a "rainy day" fund to be drawn down when other state revenues falter. Its purpose is to be a:

1. Buffer against volatility in land income and fund return – a bank for unusually high earnings to be used to maintain distributions in lean times
2. Benchmark to determine when spendable reserves are fully sufficient so that any additional earnings can be reinvested in permanent principal (to maintain purchasing power and sustainably increase distributions)

Investment of the Earnings Reserve Fund

Because the fund intends to hold an adequate level of reserves into perpetuity, this long investment horizon allows reserves to be invested in the same risk/return portfolio mix as the Permanent Fund

- In extreme cases, low reserves may require moving the reserves to a more conservative asset mix (which may lock in losses)

Role of Endowment Distributions in the Overall Appropriation Process

Endowment distributions only satisfy a small portion of each beneficiary’s annual spending needs, so those needs are essentially irrelevant in determining distributions. The EFIB recommends the Legislature address total beneficiary needs and short-term variations in tax receipts^{xii} so that distributions can be stable and growing, based solely on the long-term earning capacity of the endowment. A consistent, high-returning asset mix cannot be maintained if distributions vary based on tax revenues.

Endnotes

ⁱ The Mission can also be restated in a more measurable form:

The Idaho Endowments will maximize the prudent distribution if they:

- Earn strong real income in the fund and from the land
- Maintain adequate reserves to prevent reductions in distributions
- Reinvest income to protect future purchasing power

ⁱⁱ To ensure these strict legal protections of the future beneficiary do not overrule the interests of the current beneficiary, Land Board policy requires that distributions grow proportionately with principal over the long term.

ⁱⁱⁱ The statutory method for achieving inflation protection is measured by the “Gain Benchmark” (June 2000 original principal, adjusted for deposits and inflation). The cumulative total appreciation below inflation must be retained in the Permanent Fund, but any excess (measured at fiscal year-end) flows to Earnings Reserve as income, generally in September (this can be a large amount in one year or zero for several years).

^{iv} The Land Board policy objective of keeping up with population growth:

- Makes real per capital distributions equivalent, current vs. future
- Is achieved by transferring (reinvesting) sufficient excess retained income from Reserves to Permanent Fund principal so it can never be spent

The current assumed population growth is 1.8% per year, except for Public School which is assumed to be 1.0% per year.

^v Distributions can be changed at any time, but to facilitate the budget process, are usually determined annually at the August Land Board meeting for the following fiscal year.

^{vi} The policy distribution rate is based primarily on a conservative estimate of expected total income. When expected long-term earnings change significantly, the policy distribution rate should change (see note 10). However, to protect the corpus, the policy rate should not be raised (i.e., distributions constrained) if Permanent Fund balance objectives have not been achieved.

^{vii} Calculating distributions as a percentage of the Permanent Fund is both a mechanism and an incentive to balance the interests of current and future beneficiaries. This structure ensures that:

- In normal conditions, distributions to current beneficiaries increase proportionately with the permanent fund balance
- Increases in distributions are sustainable (supported by sufficient permanent assets)
- Holding excess reserves is discouraged

Transfers from Earnings Reserve, both historical and approved but not completed, are added to the annual amounts used in calculating the three-year average Permanent Fund balance.

^{viii} To reflect the desired conservative bias in setting policy distribution rates:

- Policy distribution rates should be increased only based on a conservative “downside” forecast of long-term income: e.g., 25th percentile fund earnings and 20th percentile land revenue forecasts
- Policy distribution rates should be reduced if the current rate can only be justified with optimistic earnings and revenue forecasts. Ideally, the reduction in the rate would be accomplished by holding the distribution (in dollars) constant for a long period. However, an immediate cut in the absolute dollars would be required if reserves are low.

To reflect a conservative bias in setting annual distributions, the viability of a proposed distribution is tested by forecasting the coverage ratio over the next three years based on a “low” forecast of timber earnings and a 2% fund return.

It is impossible to eliminate the possibility of a reduction in distributions, but the policy is designed to allow at least two years warning of a potential reduction, consistent with the time lags inherent in the state budgeting process. If a fund is unable to make an appropriated distribution, that would be considered a catastrophic failure of the process. In the past, three endowments have experienced catastrophic failures (i.e., had insufficient reserves to pay promised distributions): Public School (2003), Ag College (2005) and Charitable Institutions (2005).

^{ix} Transfers of excess reserves to the Permanent Fund are generally approved annually at the August Land Board meeting, based on balances as of the previous year end and approved distributions for the next fiscal year, but actually done in September

Requiring that reserves which exceed a sufficient or target level be converted to corpus (i.e., transferred to the Permanent Fund) reduces the temptation to:

- Make large, one-time distributions of accumulated income to the detriment of future beneficiaries
- Hoard income to avoid an increase in distributions that would automatically result from a conversion

^x The determination of how many years of reserves is sufficient was based on the combined volatility of fund returns and net land revenues, which is heavily influenced by the fact that in a severe equity downturn (once every 25 years), no distributable income would be available from the Permanent Fund for about five years because the Permanent Fund would retain all of its income to rebuild the corpus. A temporary increase in the years of reserve, above the targeted level, may be called for if there is a temporary reduction in expected income (e.g., timber harvest is predicted to be unusually low). Reserves for the three endowments with cabin site dispositions will be allowed to rise up to a year above target, pending an update of the distribution models to reflect the impact of the dispositions on the desired reserve levels.

^{xi} There will always be temporary deviations from this balance because actual income after inflation will vary from the expectations used to establish the distribution rate.

^{xii} The Land Board has the legal authority to consider a beneficiaries' other sources of revenue in setting distributions and therefore could attempt to adjust distributions in response to changes in tax receipts or fund income. However, only the Legislature has the Constitutional responsibility and authority to balance a beneficiary's total spending in excess of endowment distributions with tax revenues. When endowment distributions decline, the Legislature can choose to provide tax revenues to maintain the total level of spending they believe is appropriate. When endowment distributions rise, the Legislature can choose to reduce tax revenues to maintain the level of total spending they believe is optimal. The Land Board has no control over tax revenues and would be unable, without the Legislature's consent, to adjust distributions in response to changes in tax receipts. Also, the Legislature is in a better position than the Land Board to balance a beneficiary's unfunded needs with all other expenditure requests and options to increase or decrease tax revenues.

STATE BOARD OF LAND COMMISSIONERS

November 15, 2022

Regular Agenda

Subject

Governance Structure Review

Question Presented

Shall the Land Board approve the recommended changes to the governance structure?

Background

In December 2014 the Land Board adopted a governance structure as recommended by the Subcommittee on Endowment Investment Governance Strategy. The governance structure delegated certain decision-making authority to the Director for endowment related matters including routine land investments, other land investments, and timber sale contracts.

In September 2015 the Land Board approved a modification to the governance structure to allow the Department to conduct salvage sales due to fire, wind, and insect and disease on endowment lands that may exceed the 100-acre clearcut threshold and, at times, may exceed the development credit threshold due to the reduced value of burned timber.

The modified governance structure was reviewed and approved by the Land Board in December 2015 (Attachment 1).

Discussion

The current governance structure is as follows:

- I. Timber Sale Contracts
 - A. The Department will present the Annual Timber Sale Plan to the Land Board for approval each year at the April Land Board meeting.
 - B. Except for salvage sales, the Department will present individual proposed timber sales that fall outside of established Land Board policies to the Land Board for approval such as:
 1. Sales with clearcut silvicultural prescription units which exceed 100 acres,
 2. Sales with development credits that exceed 50% of net appraised sale value (33% of gross sale value), or
 3. Sales for which the Department has received written public comment.
 - C. Fire, wind, and insect and disease salvage sales are exempt from Item I.B. requirements above.

- D. The Department will display names of all proposed timber sales and salvage sales for the next month in the monthly Director's Timber Sales Report.
- II. Routine Land Investment Decisions (e.g., access acquisition, forest and range improvements, reforestation, building maintenance)
 - A. Transactions <\$500,000 the IDL Director may authorize.
 - B. Transactions >\$500,000 require Land Board approval.
 - C. An audit of IDL procedures shall be conducted every 3-5 years.
- III. Other Land Investment Decisions (e.g., land disposal, land acquisition, new tenant improvements)
 - A. Transactions <\$100,000 the IDL Director may authorize; however, those that are complex or controversial may be vetted by the Land Investment Advisor.
 - B. Transactions >\$100,000 require Land Board approval and may require review by the Land Board's Land Investment Advisor at the Board's discretion.
 - C. Transactions >\$1,000,000 shall be subject to a post-audit every three (3) years. The Land Board's Land Investment Advisor shall review such transactions post-audit.

Since the governance structure was adopted there have been significant changes in the Department's land management situation. The Forest Asset Management Plan (FAMP) adopted by the Land Board in 2019 increased the annual timber sale volume from 247 million board feet (MMBF) to 328 MMBF with full implementation in 2024. The 32.8% increase in annual timber sale volume has resulted in increased expenses for other activities, such as planting trees after harvest. Additionally, the cost of projects is often higher on a per unit basis. As a result, the delegated authority from the approved governance structure will not be sufficient for routine land management decisions, such as forest improvement projects. The Department recommends an increase in the delegated authority from the current \$500,000 to \$1,250,000 to allow continued active management of timberland and full implementation of the FAMP without exceeding the governance structure threshold through routine transactions.

Land values have increased significantly since the governance structure was adopted. The current threshold of \$100,000 is no longer adequate for the disposals and acquisitions allowed by the governance structure given the higher real estate values. The Department also has aligned the use of staff appraisers with the governance structure. The Department recommends an increase from \$100,000 to \$250,000 to better reflect real estate values and allow for more effective use of staff appraisers.

The governance structure directs a post-audit every three years on other land investment transactions over \$1,000,000 in value. In the case of large acquisitions three years may not be sufficient time to allow for a valid audit of the assumptions made during the acquisition

process since management actions may not occur that soon after the transaction. Therefore, the Department recommends five years rather than three.

The Department's proposed changes to the current governance structure are shown in Attachment 2, Land Board Governance Policy.

Recommendation

The Department recommends increasing the delegated authority for routine land investment decisions to \$1,250,000 per transaction, increasing the delegated authority for other land investment decisions to \$250,000 per transaction, and changing the time period for post-audits of other land investment decisions over \$1,000,000 in value to five (5) years, as outlined in Attachment 2.

Board Action

Attachments

1. December 2015 Land Board Governance Structure Memo
2. Proposed Governance Policy

The logo for the Idaho Department of Lands is a large, stylized diamond shape. It features a light green center with a yellow border, and a grey outline. The text "IDAHO DEPARTMENT OF LANDS" is written in white, bold, uppercase letters across the middle of the diamond. The diamond is set against a background of several overlapping, semi-transparent grey diamonds of varying sizes and orientations.

IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS
December 15, 2015
Regular Agenda

SUBJECT

Governance Structure Review

BACKGROUND

On December 15, 2014, the Land Board adopted a governance structure as recommended by the Subcommittee on Endowment Investment Governance Strategy (Attachment 1). The motion required that the governance structure be reviewed by the Land Board at its December 2015 regular meeting.

On September 15, 2015, the Land Board approved a modification to the governance structure that allows the Department of Lands to conduct salvage sales due to fire, wind, and insect and disease on endowment lands that may exceed the 100-acre clearcut threshold and, at times, may exceed the development credit threshold due to the reduced value of burned timber (Attachment 2).

DISCUSSION

The following section outlines the governance structure currently in effect considering both the December 15, 2014 and the September 15, 2015 actions taken by the Land Board. The Department does not recommend any significant change to the current governance structure. However, for clarity, the Department does recommend that the Land Board approve the governance structure outlined below which is a combination of the actions approved on December 15, 2014 and September 15, 2015 with regard to governance structure.

I. Timber Sale Contracts

- A. The Department will present the Annual Timber Sale Plan to the Land Board for approval each year at the April Land Board meeting.
- B. Except for salvage sales, the Department will present individual proposed timber sales that fall outside of established Land Board policies to the Land Board for approval such as:
 - 1. sales with clearcut silvicultural prescription units which exceed 100 acres,
 - 2. sales with development credits that exceed 50% of net appraised sale value (33% of gross sale value), or
 - 3. sales for which the Department has received written public comment.
- C. Fire, wind, and insect and disease salvage sales are exempt from Item I.B. requirements above.

- D. The Department will display names of all proposed timber sales and salvage sales for the next month in the monthly Director's Timber Sales Report.
- II. Routine Land Investment Decisions (e.g. access acquisition, forest and range improvements, reforestation, building maintenance)
 - A. Transactions <\$500,000 the IDL Director may authorize.
 - B. Transactions >\$500,000 require Land Board approval.
 - C. An audit of IDL procedures shall be conducted every 3-5 years.
- III. Other Land Investment Decisions (e.g. land disposal, land acquisition, new tenant improvements)
 - A. Transactions <\$100,000 the IDL Director may authorize; however, those that are complex or controversial may be vetted by the Land Investment Advisor.
 - B. Transactions >\$100,000 require Land Board approval and may require review by the Land Board's Land Investment Advisor at the Board's discretion.
 - C. Transactions >\$1,000,000 shall be subject to a post-audit every three (3) years. The Land Board's Land Investment Advisor shall review such transactions post-audit.

RECOMMENDATION

The Department recommends that the Land Board approve the governance structure as outlined above.

BOARD ACTION

A motion was made by Attorney General Wasden that the Board adopt the Department recommendation as outlined on page 2 of 2. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

ATTACHMENTS

1. December 15, 2014 Approved Memo
2. September 15, 2015 Approved Memo





Governance Policy

Purpose

This policy addresses Department timber sale contracts and delegates certain decision-making authority to the Director for endowment related matters including routine and other land investment decisions.

Agency Contact

Division Administrator – Trust Land Management

Policy

I. Timber Sale Contracts

- A. The Department will present the Annual Timber Sale Plan to the Land Board for approval each year at the April Land Board meeting.
- B. Except for salvage sales, the Department will present individual proposed timber sales that fall outside of established Land Board policies to the Land Board for approval such as:
 1. Sales with clearcut silvicultural prescription units which exceed 100 acres,
 2. Sales with development credits that exceed 50% of net appraised sale value (33% of gross sale value), or
 3. Sales for which the Department has received written public comment.
- C. Fire, wind, and insect and disease salvage sales are exempt from Item I.B. requirements above.
- D. The Department will display names of all proposed timber sales and salvage sales for the next month in the monthly Director's Timber Sales Report.

II. Routine Land Investment Decisions (e.g., access acquisition, forest and range improvements, reforestation, building maintenance)

- A. Transactions <~~\$500,000~~[\\$1,250,000](#) the IDL Director may authorize.
- B. Transactions >~~\$500,000~~[\\$1,250,000](#) require Land Board approval.
- C. An audit of IDL procedures shall be conducted every 3-5 years.

III. Other Land Investment Decisions (e.g., land disposal, land acquisition, new tenant improvements)

- A. Transactions <~~\$100,000~~[\\$250,000](#) the IDL Director may authorize; however, those that are complex or controversial may be vetted by the Land Investment Advisor.
- B. Transactions >~~\$100,000~~[\\$250,000](#) require Land Board approval and may require review by the Land Board's Land Investment Advisor at the Board's discretion.
- C. Transactions >\$1,000,000 shall be subject to a post-audit every ~~three (3)~~[five \(5\)](#) years. The Land Board's Land Investment Advisor shall review such transactions post-audit.

Revision History (Board Action)

- 12/15/2014 Adopted a governance structure as recommended by the Subcommittee on Endowment Investment Governance Strategy. First approved iteration of this policy.
- 09/15/2015 Modified the governance structure with an exception for salvage sales.
- 12/15/2015 Clarified the governance structure is a combination of the action originally approved on 12/15/2014 and the exception for salvage sales approved on 9/15/2015.
- [11/15/2022](#) [Increased the delegated authority for routine land investment decisions to \\$1,250,000 per transaction, increased the delegated authority for other land investment decisions to \\$250,000 per transaction, and changed the time period for post-audits of other land investment decisions over \\$1,000,000 in value to five \(5\) years.](#)



IDAHO DEPARTMENT OF LANDS

**AGENDA ITEM 10
PROPERTY ACQUISITION**

**NO BOARD MATERIALS
ARE PROVIDED FOR THIS ITEM**

IDAHO DEPARTMENT OF LANDS

